



# Balestra, Harr & Scherer, CPAs, Inc.

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

[www.bhscpas.com](http://www.bhscpas.com)

## ROCK HILL LOCAL SCHOOL DISTRICT LAWRENCE COUNTY

### SINGLE AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Rock Hill Local School District, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

April 10, 2013

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**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board of Education  
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, Lawrence County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rock Hill Local School District, Lawrence County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof, and the 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 February 27, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information 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. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

February 27, 2013



## Rock Hill Local School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2012*

*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, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

***Key financial highlights for fiscal year 2012 are as follows:***

- Net assets of governmental activities decreased \$1,362,713.
- General revenues accounted for \$15,525,688 in revenue, or 78.0 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,383,952, or 22.0 percent of total revenues of \$19,909,640.
- The School District had \$21,272,353 in expenses related to governmental activities; only \$4,383,952 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$15,525,688 were not adequate to cover the remaining expenses.
- Total governmental funds had \$23,964,368 in revenues and other financing sources and \$20,630,582 in expenditures and other financing uses. The total governmental fund balance increased \$3,333,786.

### **USING THE BASIC FINANCIAL STATEMENTS**

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

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

#### *Statement of Net 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 2012?" 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.

## Rock Hill Local School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2012*

*Unaudited*

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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 and the Permanent Improvements and Classroom Facilities Capital Projects Funds.

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

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

# Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

## THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

**Table 1**  
**Net Assets**

	Governmental Activities		
	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$14,006,695	\$11,257,291	\$2,749,404
Capital Assets	33,776,940	34,993,304	(1,216,364)
Total Assets	47,783,635	46,250,595	1,533,040
<b>Liabilities</b>			
Long-Term Liabilities	4,042,718	1,082,311	2,960,407
Other Liabilities	4,427,772	4,492,426	(64,654)
Total Liabilities	8,470,490	5,574,737	2,895,753
<b>Net Assets</b>			
Invested in Capital Assets	33,104,967	34,993,304	(1,888,337)
Restricted	4,752,814	6,454,090	(1,701,276)
Unrestricted (Deficit)	1,455,364	(771,536)	2,226,900
Total Net Assets	\$39,313,145	\$40,675,858	(\$1,362,713)

Total assets of governmental activities increased \$1,533,040. This is due to an increase in cash and cash equivalents in the amount of \$2,715,074, offset by a decrease in capital assets in the amount of \$1,216,364. The increase in cash and cash equivalents is due to the unspent note and lease proceeds relating to the School District's House Bill 264 Energy Conservation Project. The decrease in capital assets are due to depreciation of capital assets in an amount greater than the addition of capital assets.

Total liabilities of governmental activities increased \$2,895,753. This is entirely attributable to debt issuances in the amount of \$2,895,000 related to the School District's House Bill 264 Energy Conservation Project. The School District issued General Obligation Notes in the amount of \$1,295,000 and entered into a Lease-Purchase agreement in the amount of \$1,670,000. The project was started in June of 2012 and is scheduled to be completed in the 2013 fiscal year.

## Rock Hill Local School District, Ohio

### Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, and comparisons to fiscal year 2011.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		
	2012	2011	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,013,274	\$1,730,975	(\$717,701)
Operating Grants, Contributions and Interest	3,370,678	4,329,171	(958,493)
	<u>4,383,952</u>	<u>6,060,146</u>	<u>(1,676,194)</u>
General Revenues:			
Property Taxes	2,402,919	1,960,156	442,763
Grants and Entitlements	13,071,745	12,419,066	652,679
Investment Earnings	16,910	34,202	(17,292)
Miscellaneous	34,114	38,977	(4,863)
	<u>15,525,688</u>	<u>14,452,401</u>	<u>1,073,287</u>
Total Revenues	<u>19,909,640</u>	<u>20,512,547</u>	<u>(602,907)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	9,609,525	10,638,715	1,029,190
Special	2,612,559	2,915,690	303,131
Vocational	288,252	427,749	139,497
Support Services:			
Pupils	680,821	690,731	9,910
Instructional Staff	492,636	425,329	(67,307)
Board of Education	501,276	255,997	(245,279)
Administration	1,178,992	1,312,878	133,886
Fiscal	390,841	365,570	(25,271)
Operation and Maintenance of Plant	2,484,156	2,773,809	289,653
Pupil Transportation	1,362,880	1,351,417	(11,463)
Central	112,121	107,783	(4,338)
Operation of Non-Instructional Services:			
Food Service Operations	958,239	1,145,508	187,269
Community Services	8,027	148,571	140,544
Extracurricular Activities	592,028	592,137	109
Total Expenses	<u>21,272,353</u>	<u>23,151,884</u>	<u>1,879,531</u>
Decrease in Net Assets	(1,362,713)	(2,639,337)	1,276,624
Net Assets at Beginning of Year	<u>40,675,858</u>	<u>43,315,195</u>	<u>(2,639,337)</u>
Net Assets at End of Year	<u>\$39,313,145</u>	<u>\$40,675,858</u>	<u>(\$1,362,713)</u>

### **Governmental Activities**

Property taxes made up approximately 11.9 percent of revenues for governmental activities for the Rock Hill Local School District. Of the remaining revenues, the School District receives 82.6 percent from state foundation, federal, and state grants, 5.1 percent from charges for services, and 0.4 percent from interest and local entities.

**Rock Hill Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2012*

*Unaudited*

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain why a decrease in the School District's taxable value is accompanied by the decrease in tax revenue. Property taxes made up 11.9 percent of revenues for governmental activities for Rock Hill Local School District in 2012. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Over 58.8 percent of the School District's budget is used to fund instructional expenses. Support services make up 33.9 percent of expenses and 7.3 percent is used for extracurricular activities and non-instructional services.

During the fiscal year, the School District experienced a 10.7 percent decrease in salaries and employee insurance costs due to a reduction in force and increases in utility and fuel costs.

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 State entitlements.

**Table 3  
Governmental Activities**

	2012 Total Cost of Services	2012 Net Cost of Services	2011 Total Cost of Services	2011 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$9,609,525	\$6,774,646	\$10,638,715	\$7,446,761
Special	2,612,559	2,115,082	2,915,690	2,375,967
Vocational	288,252	288,252	427,749	293,207
Support Services:				
Pupils	680,821	584,838	690,731	548,701
Instructional Staff	492,636	416,756	425,329	361,384
Board of Education	501,276	501,276	255,997	255,997
Administration	1,178,992	1,132,978	1,312,878	1,168,806
Fiscal	390,841	390,760	365,570	365,330
Operation and Maintenance of Plant	2,484,156	2,478,603	2,773,809	1,801,587
Pupil Transportation	1,362,880	1,335,510	1,351,417	1,325,227
Central	112,121	106,721	107,783	95,958
Operation of Non-Instructional Services:				
Food Service Operations	958,239	246,165	1,145,508	416,771
Community Services	8,027	(18,977)	148,571	111,723
Extracurricular Activities	592,028	535,791	592,137	524,319
<b>Totals</b>	<b>\$21,272,353</b>	<b>\$16,888,401</b>	<b>\$23,151,884</b>	<b>\$17,091,738</b>

## Rock Hill Local School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2012*

*Unaudited*

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As you can see, the reliance upon local tax revenues for governmental activities is crucial. 11.1 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs supported 61.4 percent of expenses. Program revenue supported 20.6 percent of expenses, while investments and other miscellaneous types of revenues supported the remaining activity costs. The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2012, approximately 73.4 percent of instruction activities were 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 \$20,429,368 and expenditures of \$19,990,582.

The fund balance of the General Fund increased \$1,232,363. The General Fund's unassigned fund balance of \$850,548 represented 5.4% of current year expenditures.

The fund balance of the Permanent Improvements Capital Projects Fund decreased \$500,000. The Permanent Improvement Fund's ended the 2012 fiscal year with a fund balance of \$3,381,726. Most of this balance remains in the School District's treasury.

The fund balance of the Classroom Facilities Capital Projects Fund increased \$2,686,027. This increase is due to the School District starting its energy conservation project in June, 2012. The increase represents unspent debt proceeds. The Classroom Facilities Fund's fund balance of \$2,686,027 represented 378.9 percent of current year expenditures. Most of this balance remains in the School District's treasury.

### ***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 2012, the School District did amend its General Fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$17,015,403, which represented a decrease of \$601,610, or 3.4 percent from original estimates of \$17,617,013. The final budget basis expenditure estimate of \$16,514,464 represented a \$352,526, or 2.1 percent decrease from the original estimates of \$16,866,990.

The School District's ending unobligated general fund balance was \$2,401,071.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal year 2012, the School District had \$33,776,940 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011.

**Rock Hill Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2012*

*Unaudited*

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$817,657	\$817,657
Construction in Progress	671,973	0
Land Improvements	6,840,307	7,446,791
Buildings and Improvements	24,224,182	25,422,544
Furniture, Fixtures, and Equipment	793,545	767,361
Vehicles	429,276	538,951
Totals	<u>\$33,776,940</u>	<u>\$34,993,304</u>

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

***Debt***

At June 30, 2012, the School District had outstanding Energy Conservation Notes in the amount of \$1,225,000, and a Lease-Purchase Agreement in the amount of \$1,670,000.

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

**CURRENT ISSUES**

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

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

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

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

**Rock Hill Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2012*

*Unaudited*

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**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Chris Robinson, Treasurer at Rock Hill Local School District, 2273 County Road 26, Ironton, Ohio 45638.



**Rock Hill Local School District, Ohio**  
*Statement of Net Assets*  
*June 30, 2012*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,586,887
Inventory Held for Resale	17,864
Intergovernmental Receivable	736,706
Revenue in Lieu of Taxes Receivable	1,147,000
Accounts Receivable	1,959
Property Taxes Receivable	2,516,279
Nondepreciable Capital Assets	1,489,630
Depreciable Capital Assets, Net	32,287,310
<i>Total Assets</i>	47,783,635
<b>Liabilities</b>	
Accounts Payable	297,082
Accrued Wages and Benefits Payable	1,555,392
Contracts Payable	12,070
Intergovernmental Payable	545,280
Matured Compensated Absences Payable	50,325
Deferred Revenue	1,967,623
Long-Term Liabilities:	
Due within One Year	353,416
Due in More than One Year	3,689,302
<i>Total Liabilities</i>	8,470,490
<b>Net Assets</b>	
Invested in Capital Assets	33,104,967
Restricted for:	
Bus Purchases	154,238
Budget Stabilization	124,918
Debt Service	1,950
Capital Projects	3,844,726
Other Purposes	626,982
Unrestricted	1,455,364
<i>Total Net Assets</i>	\$39,313,145

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June, 30, 2012

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Instruction:				
Regular	\$9,609,525	\$849,057	\$1,985,822	(\$6,774,646)
Special	2,612,559	0	497,477	(\$2,115,082)
Vocational	288,252	0	0	(\$288,252)
Support Services:				
Pupils	680,821	0	95,983	(\$584,838)
Instructional Staff	492,636	0	75,880	(\$416,756)
Board of Education	501,276	0	0	(\$501,276)
Administration	1,178,992	0	46,014	(\$1,132,978)
Fiscal	390,841	0	81	(\$390,760)
Operation and Maintenance of Plant	2,484,156	0	5,553	(\$2,478,603)
Pupil Transportation	1,362,880	0	27,370	(\$1,335,510)
Central	112,121	0	5,400	(\$106,721)
Operation of Non-Instructional Services:				
Food Service Operations	958,239	107,980	604,094	(\$246,165)
Community Services	8,027	0	27,004	\$18,977
Extracurricular Activities	592,028	56,237	0	(\$535,791)
<b>Totals</b>	<b>\$21,272,353</b>	<b>\$1,013,274</b>	<b>\$3,370,678</b>	<b>(16,888,401)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				2,360,789
Other Purposes				42,130
Grants and Entitlements not Restricted to Specific Programs				13,071,745
Investment Earnings				16,910
Miscellaneous				34,114
<b>Total General Revenues</b>				<b>15,525,688</b>
<b>Change in Net Assets</b>				<b>(1,362,713)</b>
<b>Net Assets at Beginning of Year</b>				<b>40,675,858</b>
<b>Net Assets at End of Year</b>				<b>\$39,313,145</b>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2012*

	General	Permanent Improvements	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,601,682	\$3,381,726	\$2,686,027	\$638,296	\$9,307,731
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	279,156	0	0	0	279,156
Receivables:					
Property Taxes	2,471,549	0	0	44,730	2,516,279
Intergovernmental	7,320	0	0	729,386	736,706
Interfund	267,290	0	0	0	267,290
Accounts	1,959	0	0	0	1,959
Revenue in Lieu of Taxes	0	1,147,000	0	0	1,147,000
Inventory Held for Resale	0	0	0	17,864	17,864
<b>Total Assets</b>	<b>\$5,628,956</b>	<b>\$4,528,726</b>	<b>\$2,686,027</b>	<b>\$1,430,276</b>	<b>\$14,273,985</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$267,242	\$0	\$0	\$29,840	\$297,082
Accrued Wages and Benefits Payable	1,198,206	0	0	357,186	1,555,392
Contracts Payable	9,570	0	0	2,500	12,070
Interfund Payable	0	0	0	267,290	267,290
Intergovernmental Payable	444,699	0	0	100,581	545,280
Matured Compensated Absences Payable	32,818	0	0	17,507	50,325
Deferred Revenue	2,263,313	1,147,000	0	398,396	3,808,709
<b>Total Liabilities</b>	<b>4,215,848</b>	<b>1,147,000</b>	<b>0</b>	<b>1,173,300</b>	<b>6,536,148</b>
<b>Fund Balances</b>					
Restricted	279,156	3,381,726	2,686,027	486,866	6,833,775
Assigned	283,404	0	0	0	283,404
Unassigned	850,548	0	0	(229,890)	620,658
<b>Total Fund Balances</b>	<b>1,413,108</b>	<b>3,381,726</b>	<b>2,686,027</b>	<b>256,976</b>	<b>7,737,837</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$5,628,956</b>	<b>\$4,528,726</b>	<b>\$2,686,027</b>	<b>\$1,430,276</b>	<b>\$14,273,985</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, 2012*

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<b>Total Governmental Fund Balances</b>		<b>\$7,737,837</b>
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>		
Capital Assets used in governmental activities are not financial resources are not reported in the funds.		33,776,940
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	337,210	
Revenue in Lieu of Taxes	1,147,000	
Grants	<u>356,876</u>	1,841,086
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Notes	(1,225,000)	
Lease-Purchase	(1,670,000)	
Compensated Absences	<u>(1,147,718)</u>	<u>(4,042,718)</u>
 Net Assets of Governmental Activities		 <u><u>\$39,313,145</u></u>

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, 2012*

	General	Permanent Improvements	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$2,325,538	\$0	\$0	\$41,521	\$2,367,059
Intergovernmental	13,266,794	0	0	3,125,813	16,392,607
Investment Earnings	16,910	0	0	0	16,910
Tuition and Fees	682,172	0	0	0	682,172
Charges for Services	132,971	0	0	107,980	240,951
Extracurricular	33,914	0	0	56,237	90,151
Payments in Lieu of Taxes	573,500	0	0	0	573,500
Donations	2	0	0	0	2
Miscellaneous	66,016	0	0	0	66,016
<i>Total Revenues</i>	<u>17,097,817</u>	<u>0</u>	<u>0</u>	<u>3,331,551</u>	<u>20,429,368</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	6,995,772	0	0	1,974,984	8,970,756
Special	1,973,286	0	0	362,788	2,336,074
Vocational	247,684	0	0	0	247,684
Support Services:					
Pupils	582,969	0	0	42,212	625,181
Instructional Staff	355,281	0	0	73,350	428,631
Board of Education	464,276	0	37,000	0	501,276
Administration	1,031,111	0	0	51,476	1,082,587
Fiscal	360,972	0	0	1,548	362,520
Operation and Maintenance of Plant	2,284,701	0	0	103,175	2,387,876
Pupil Transportation	1,078,872	0	0	3,949	1,082,821
Central	112,121	0	0	0	112,121
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	860,655	860,655
Community Services	0	0	0	229	229
Extracurricular Activities	238,409	0	0	81,789	320,198
Capital Outlay	0	0	671,973	0	671,973
<i>Total Expenditures</i>	<u>15,725,454</u>	<u>0</u>	<u>708,973</u>	<u>3,556,155</u>	<u>19,990,582</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,372,363</u>	<u>0</u>	<u>(708,973)</u>	<u>(224,604)</u>	<u>438,786</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds of Notes	0	0	1,225,000	0	1,225,000
Inception of Lease-Purchase	0	0	1,670,000	0	1,670,000
Transfers In	0	0	500,000	140,000	640,000
Transfers Out	(140,000)	(500,000)	0	0	(640,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(140,000)</u>	<u>(500,000)</u>	<u>3,395,000</u>	<u>140,000</u>	<u>2,895,000</u>
<i>Net Change in Fund Balance</i>	1,232,363	(500,000)	2,686,027	(84,604)	3,333,786
<i>Fund Balances at Beginning of Year</i>	180,745	3,881,726	0	341,580	4,404,051
<i>Fund Balances at End of Year</i>	<u>\$1,413,108</u>	<u>\$3,381,726</u>	<u>\$2,686,027</u>	<u>\$256,976</u>	<u>\$7,737,837</u>

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, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$3,333,786

***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	858,640	
Depreciation Expense	<u>(2,075,004)</u>	(1,216,364)

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

Grants	49,814	
Delinquent Taxes	35,860	
Revenue in Lieu of Taxes	(573,500)	
Miscellaneous Revenue	<u>(31,902)</u>	(519,728)

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities:

General Obligation Notes	(1,225,000)	
Lease-Purchase	<u>(1,670,000)</u>	(2,895,000)

Compensated absences 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.

(65,407)

*Change in Net Assets of Governmental Activities*

(\$1,362,713)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$2,335,243	\$2,255,496	\$2,255,496	\$0
Intergovernmental	13,728,773	13,259,943	13,259,943	0
Investment Earnings	17,508	16,910	16,910	0
Tuition and Fees	706,291	682,172	682,172	0
Charges for Services	137,672	132,971	132,971	0
Extracurricular	36,742	35,487	35,487	0
Payments in Lieu of Taxes	593,777	573,500	573,500	0
Donations	2	2	2	0
Miscellaneous	61,005	58,922	58,922	0
<i>Total Revenues</i>	17,617,013	17,015,403	17,015,403	0
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,545,198	7,387,501	7,380,870	6,631
Special	2,062,640	2,019,530	2,012,831	6,699
Vocational	275,846	270,081	270,946	(865)
Support Services:				
Pupils	589,071	576,759	572,370	4,389
Instructional Staff	361,066	353,520	350,919	2,601
Board of Education	492,847	482,546	482,544	2
Administration	1,081,383	1,058,782	1,054,068	4,714
Fiscal	389,398	381,259	379,246	2,013
Operation and Maintenance of Plant	2,548,315	2,495,054	2,492,298	2,756
Pupil Transportation	1,163,191	1,138,880	1,130,143	8,737
Central	114,514	112,121	112,121	0
Extracurricular Activities	243,521	238,431	238,318	113
<i>Total Expenditures</i>	16,866,990	16,514,464	16,476,674	37,790
<i>Excess of Revenues Over Expenditures</i>	750,023	500,939	538,729	37,790
<b>Other Financing Sources (Uses)</b>				
Transfers In	95,253	0	0	0
Transfers Out	(236,952)	(140,000)	(140,000)	0
Advances Out	(262,036)	(256,559)	(256,559)	0
<i>Total Other Financing Sources (Uses)</i>	(403,735)	(396,559)	(396,559)	0
<i>Net Change in Fund Balance</i>	346,288	104,380	142,170	37,790
<i>Fund Balance at Beginning of Year</i>	1,669,862	1,669,862	1,669,862	0
Prior Year Encumbrances Appropriated	589,039	589,039	589,039	0
<i>Fund Balance at End of Year</i>	\$2,605,189	\$2,363,281	\$2,401,071	\$37,790

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2012*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$39,511</u></u>
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**Liabilities**

Due to Students	<u><u>\$39,511</u></u>
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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, 2012*

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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 authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 78 classified employees and 133 certified teaching and administrative personnel who provide services to 1,521 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 insure the financial statements 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 Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Lawrence County Schools Council of Governments Health Benefits Program, which are defined as insurance purchasing pools. These organizations are presented in Notes 17 and 18.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2012

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**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 fund. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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. There are two categories of funds utilized by the School District: governmental and fiduciary.

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

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

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

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

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

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

### **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 (revenues) and decreases (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 (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, payment in lieu of taxes revenue, investment earnings, tuition, grants, and student fees.

**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, 2012, but which were levied to finance fiscal year 2013 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".

During fiscal year 2012, investments were limited to a repurchase agreement which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$16,910, which includes \$11,421 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by State statute to be set-aside by the School District for budget stabilization. See Note 20 for additional information regarding set-asides.

### **G. 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 and purchased food.

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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### **H. 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. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

### **I. Internal Activity**

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

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

### **J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

### **K. 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term notes and capital leases are recognized as a liability on the governmental fund financial statements when due.

### **L. Fund Balance**

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

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

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

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

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

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

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

### **M. Interfund Balances**

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

### **N. 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.

### **O. Net Assets**

Net assets represents 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 or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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

### **P. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

# Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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.

## Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the School District had no activity that met the definition of an extraordinary or special item.

## Note 3 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2012:

	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Public Preschool	\$29,592
Ed Jobs	25,308
Title VI-B	7,914
Title I	123,221
Title II-A	29,228
Miscellaneous Federal Grants	14,627

These deficits resulted from the recognition of payables recorded 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 Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).



## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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	\$1,232,363
Revenue Accruals	(82,414)
Expenditure Accruals	(271,453)
Advances	(256,559)
Encumbrances	<u>(479,767)</u>
Budget Basis	<u><u>\$142,170</u></u>

### Note 5 - Fund Balances

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

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

Fund Balances	General Fund	Permanent Improvements Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Restricted for:					
Budget Stabilization	124,918	0	0	0	124,918
Bus Purchases	154,238	0	0	0	154,238
Inventory Held for Resale	0	0	0	17,864	17,864
State Grant Expenditures	0	0	0	23,125	23,125
Federal Grant Expenditures	0	0	0	9,135	9,135
Athletics	0	0	0	34,948	34,948
Capital Improvements	0	3,381,726	2,686,027	399,844	6,467,597
Debt Service	0	0	0	1,950	1,950
<b>Total Restricted</b>	<u>279,156</u>	<u>3,381,726</u>	<u>2,686,027</u>	<u>486,866</u>	<u>6,833,775</u>
Assigned to:					
Other Purposes	283,404	0	0	0	283,404
Unassigned:	850,548	0	0	(229,890)	620,658
<b>Total Fund Balances</b>	<u>\$1,413,108</u>	<u>\$3,381,726</u>	<u>\$2,686,027</u>	<u>\$256,976</u>	<u>\$7,737,837</u>

### Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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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.

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

1. United States Treasury bills, bonds, notes, 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 any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance of \$4,954,406 was insured and collateralized.

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

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**Investments** As of June 30, 2012, the School District had an investment in a Repurchase Agreement. The fair value of the Repurchase Agreement was \$5,500,865, and the investment has a maturity of one day. The Repurchase agreement is invested in the following underlying securities:

	Carrying Value	Percentage of Investment
Federal Farm Credit Bank Notes	\$3,172,854	57.68%
Federal Home Loan Bank Notes	737,739	13.41%
Federal National Mortgage Association Discount Notes	1,590,272	28.91%
Totals	<u>\$5,500,865</u>	<u>100.00%</u>

**Interest Rate Risk** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily. The stated intent of the investment policy is to avoid the need to sell securities prior to maturity.

**Credit Rate Risk** The Repurchase Agreement's underlying securities all carry a rating of AAA by Standard and Poor's. The School District's investment policy does not further limit its investment choices beyond State statute.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer and 100% of the School District's total investments is invested in the Repurchase Agreement.

### Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$208,236 in the General Fund and \$3,210 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2011, was \$138,194 in the General Fund and \$2,332 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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
Agricultural/Residential	\$83,365,690	73.19%	\$82,714,840	67.28%
Commercial/Industrial and Public Utility Real	7,204,490	6.33%	7,053,500	5.74%
Public Utility Personal	23,330,330	20.48%	33,167,450	26.98%
Total	\$113,900,510	100.00%	\$122,935,790	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$23.00		 \$23.00	

### Note 8 - Receivables

Receivables at June 30, 2012, consisted of property taxes, accounts (rents, student fees, and tuition), interfund, intergovernmental receivables arising from grants and entitlements, and revenue in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The amount representing revenue in lieu of taxes receivable, not scheduled for collection during the subsequent fiscal year, is \$573,500. All other receivables, except delinquent property taxes, are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
High Schools that Work	\$2,811
Ed Jobs	299,355
Title VI-B	242,911
School Improvement A	50,607
Title I	115,500
Title II-A	18,202
Miscellaneous	7,320
Total	\$736,706

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

### Note 9 - Revenue in Lieu of Taxes

As provided by State law, the School District has entered into an agreement with a property owner under which real and tangible personal property tax abatements were granted to the property owner. The property owner has agreed to make payments to the School District which reflect all or a portion of the real and tangible personal property taxes which the property owner would have paid if the taxes had not been abated. There is no provision within the agreement which would allow the property owner to reduce payments to the School District due to the changing personal property tax system. The agreement provided for a total payout of \$9,635,000 over a 12 year period ending in fiscal year 2014. The School District received \$573,500 in revenue in lieu of taxes for fiscal year 2012. Based upon scheduled payments in this agreement, a receivable and deferred revenue has been recorded in the Permanent Improvement Fund. During fiscal year 2012 the Board, by resolution, agreed to receipt the revenue in lieu of taxes into the General Fund. This was a one-time change and in the subsequent years the revenue will be recorded in the Permanent Improvement as it has been in previous years.

### Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Deductions	Balance at 6/30/12
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$817,657	\$0	\$0	\$817,657
Construction in Progress	0	671,973	0	671,973
Total Capital Assets not being Depreciated	<u>817,657</u>	<u>671,973</u>	<u>0</u>	<u>1,489,630</u>
Depreciable Capital Assets:				
Land Improvements	12,374,867	0	0	12,374,867
Buildings and Improvements	38,231,179	44,165	0	38,275,344
Furniture, Fixtures, and Equipment	1,848,604	142,502	0	1,991,106
Vehicles	2,240,398	0	118,499	2,121,899
Total Depreciable Capital Assets	<u>54,695,048</u>	<u>186,667</u>	<u>118,499</u>	<u>54,763,216</u>
Less Accumulated Depreciation:				
Land Improvements	4,928,076	606,484	0	5,534,560
Buildings and Improvements	12,808,635	1,242,527	0	14,051,162
Furniture, Fixtures, and Equipment	1,081,243	116,318	0	1,197,561
Vehicles	1,701,447	109,675	118,499	1,692,623
Total Accumulated Depreciation	<u>20,519,401</u>	<u>2,075,004</u> *	<u>118,499</u>	<u>22,475,906</u>
Total Capital Assets being Depreciated, Net	<u>34,175,647</u>	<u>(1,888,337)</u>	<u>0</u>	<u>32,287,310</u>
Capital Assets, Net	<u><u>\$34,993,304</u></u>	<u><u>(\$1,216,364)</u></u>	<u><u>\$0</u></u>	<u><u>\$33,776,940</u></u>

**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

Instruction:	
Regular	\$696,475
Special	297,305
Vocational	23,559
Support Services:	
Pupils	54,749
Instructional Staff	46,952
Administration	101,701
Fiscal	23,559
Operation and Maintenance of Plant	163,341
Pupil Transportation	279,884
Food Service Operations	107,851
Community Services	7,798
Extracurricular Activities	<u>271,830</u>
Total Depreciation Expense	<u><u>\$2,075,004</u></u>

**Note 11 - Interfund Activity**

**A. Transfers**

The General Fund made transfers to the Food Service and Athletics Special Revenue Funds in the amounts of \$100,000 and \$40,000, respectively. The Permanent Improvements Capital Projects Fund made a transfer of \$500,000 to the Classroom Facilities Capital Projects Fund. The transfers from the General Fund were used to move unrestricted revenue collected in the General Fund to finance the programs in accordance with budgetary authorizations. The transfer from the Permanent Improvements Capital Projects Fund was made to meet the School District's local share of the House Bill 264 Energy Conservation Project.

**B. Interfund Balances**

Interfund balances at June 30, 2012, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	Interfund Receivables	Interfund Payables
<b>General Fund</b>	<u>\$267,290</u>	<u>\$0</u>
<b>Other Governmental Funds:</b>		
High Schools That Work	0	1,537
Ed Jobs	0	161,936
Race to the Top	0	7,540
Title VI-B	0	93,086
Miscellaneous Federal Grants	0	3,191
Total Other Governmental Funds	<u>0</u>	<u>267,290</u>
Total All Funds	<u><u>\$267,290</u></u>	<u><u>\$267,290</u></u>

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

### Note 12 - Risk Management

#### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2012, the School District contracted with The Netherlands Insurance Company for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$58,546,074
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Sexual Abuse	0	1,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Fire Damage Limit - Any One Event	0	500,000
Medical Expense:		
Any One Person	0	15,000
Any One Accident	0	15,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Employee Benefits Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Hazardous Substances	0	25,000
CFC Refrigeration	0	100,000
Spoilage	0	25,000
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	100	1,000,000
Per Accident	100	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2011.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

### **Note 13 - Defined Benefit Pension Plans**

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

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – 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 2012, 12.70 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$274,766, \$266,235, and \$474,938, respectively; 34.97 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

#### **B. State Teachers Retirement System**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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, or by calling (888) 227-7877.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a monthly annuity or a lump sum withdrawal. 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



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2012, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent 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 STRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$945,175, \$1,085,658, and \$1,106,317, respectively; 85.72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,646 made by the School District and \$9,747 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 Retirement System. As of June 30, 2012, no member of the Board of Education had elected Social Security. The contribution rate is 6.2 percent of wages.

### **Note 14 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, Medicare Advantage, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and obligations to contribute are established by the System based on authority granted by State statute. The financial report of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 E. Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$50,777, \$67,452, and \$177,543, respectively; 17.99 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$15,547, \$18,394, and \$25,916, respectively; 31.22 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

### **B. State Teachers Retirement System**

**Plan Description** – The School District contributes to the cost-sharing, multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by calling (888)227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$72,706, \$82,856, and \$84,499, respectively; 85.72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

### **Note 15 - Employee Benefits**

#### **A. Compensated Absences**

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

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

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

Health insurance is provided by Athem Blue Cross and Blue Shield. Monthly premiums for this coverage are \$1,611 for family plans and \$652 for single plans. The School District pays 85% of these premiums for certificated employees and 90% for classified employees.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

### Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Outstanding 6/30/11	Additions	Deductions	Outstanding 6/30/12	Due in One Year
<b>Governmental Activities:</b>					
HB 264 Energy Conservation - 2.95%:					
General Obligations Notes	\$0	\$1,225,000	\$0	\$1,225,000	\$125,000
Lease - Purchase Agreement	0	1,670,000	0	1,670,000	170,000
Compensated Absences	1,082,311	150,193	84,786	1,147,718	83,416
Total Governmental Activities	<u>\$1,082,311</u>	<u>\$3,045,193</u>	<u>\$84,786</u>	<u>\$4,042,718</u>	<u>\$378,416</u>

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

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

Annual base rent requirements to retire the House Bill 264 Energy Conservation Notes and the Lease-Purchase Agreement outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2013	\$295,000	\$74,646	\$369,646
2014	260,000	72,865	332,865
2015	265,000	65,121	330,121
2016	275,000	57,156	332,156
2017	280,000	48,970	328,970
2018-2022	1,520,000	114,754	1,634,754
Total	<u>\$2,895,000</u>	<u>\$433,512</u>	<u>\$3,328,512</u>

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

The School District's overall legal debt margin was \$8,171,456, with an unvoted debt margin of \$122,939 at June 30, 2012.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **Note 17 - 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 \$106,394 for services provided during fiscal year 2012. 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. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$650 for fiscal year 2012. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

### **Note 18 - Insurance Purchasing Pools**

#### ***A. Ohio School Boards Association Workers' Compensation Group Rating Program***

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

#### ***B. Lawrence County Schools Council of Governments Health Benefits Program***

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the Council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each School District reserves the right to withdraw from the plan. If this is done, no further contributions will be made and the school district's net pooled share will be distributed and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

### Note 19 - Contingencies

#### A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

#### B. Litigation

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

### Note 20 - Set-Aside Calculations

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirements for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board of education be returned to the school district's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau or Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau or Workers' Compensation in the budget reserve pursuant to State Statute and at June 30, 2012, this is all that continues to be set aside.

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

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of as of June 30, 2011	\$0	\$124,918
Current Year Set-Aside Requirement	260,408	0
Current Year Offsets	(619,364)	
Qualifying Expenditures	<u>(82,744)</u>	<u>0</u>
Totals	<u>(\$441,700)</u>	<u>\$124,918</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$124,918</u>
Set-Aside Reserve Balance as of June 30, 2012	<u>\$0</u>	<u>\$124,918</u>

**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

**Note 21 - Contractual Commitments**

As of June 30, 2012, the School District's contractual purchase commitments for the Energy Conservation Improvement Project are as follows:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/12</u>
Energy Conservation	Limbach Company	\$3,359,867	\$671,973	\$2,687,894

Rock Hill Local School District  
Lawrence County

Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012

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>						
School Breakfast Program	3L70	10.553	\$ 210,346	\$ -	\$ 210,346	\$ -
National School Lunch Program	3L60	10.555	373,163	67,378	373,163	67,378
Total - Nutrition Cluster			583,509	67,378	583,509	67,378
<b>Total United States Department of Agriculture</b>			<b>583,509</b>	<b>67,378</b>	<b>583,509</b>	<b>67,378</b>
<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	3M20	84.027	184,848	-	286,328	-
ARRA - Special Education Grants to States	3DJ0	84.391	22,010	-	76,949	-
Total Special Education Cluster			206,858	-	363,277	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	1,012,379	-	1,008,685	-
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	119,372	-	163,015	-
Total Title I, Part A Cluster			1,131,751	-	1,171,700	-
Education Jobs Fund	3ET0	84.410	375,070	-	537,006	-
ARRA - State Fiscal Stabilization Funds (SFSF) -Race-to-the-Top Incentive Grants	3FD0	84.395	74,454	-	54,486	-
Rural Education	3Y80	84.358	22,146	-	23,211	-
Educational Technology State Grants	3S20	84.318	6,991	-	1,021	-
Improving Teacher Quality State Grants	3Y60	84.367	159,183	-	157,732	-
Subtotal			637,844	-	773,456	-
<b>Total United States Department of Education</b>			<b>1,976,453</b>	<b>-</b>	<b>2,308,433</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 2,559,962</b>	<b>\$ 67,378</b>	<b>\$ 2,891,942</b>	<b>\$ 67,378</b>

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

**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

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

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





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

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

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal controls over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

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

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and accordingly, we express no opinion on them.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 27, 2013.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, pass-through entities, and others within the District. We intend it for no one other than these specified parties.

*Balestra, Harr & Scherer, CPAs*  
Balestra, Harr & Scherer, CPAs, Inc.  
February 27, 2013



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

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

### **Compliance**

We have audited the compliance of Rock Hill Local School District, Lawrence County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could directly and materially affect each of Rock Hill Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Rock Hill Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 27, 2013.

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
February 27, 2013

**Rock Hill Local School District  
Lawrence County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	<b>Education Jobs Fund: CFDA# 84.410</b> Child Nutrition Cluster: <b>School Breakfast Program: CFDA# 10.553</b> <b>National School Lunch Program: CFDA# 10.555</b> Special Education Cluster: <b>Special Education Grants to States; CFDA# 84.027</b> <b>Special Education Grants to States – ARRA; CFDA# 84.391</b> Title I Cluster: <b>Title I Grants to Local Educational Agencies; CFDA# 84.010</b> <b>Title I Grants to Local Educational Agencies – ARRA; CFDA# 84.389</b>
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Rock Hill Local School District  
Lawrence County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

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

**Finding Number 2012-001**

**Material Weakness**

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

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

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

**Client Response**

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

**Finding Number 2012-002**

**Material Weakness – Adjustments/Financial Reporting**

The School District recorded Revenue in Lieu of Taxes Receivable into the General Fund opposed to recording the receivable in the Permanent Improvement fund. The District's Board of Education approved a one-time receipt of the revenue in lieu of taxes into the General fund for fiscal year 2012, indicating that the revenue is to be recorded in the Permanent Improvement fund in subsequent years, as it has been in previous years. The District should implement monitoring procedures to ensure that the accrual entries are presented accurately.

**Client Response**

The District board would like the payment to be receipted into the permanent improvement fund. Budget considerations prevented that in fiscal year 2012. In fiscal year 2013 the board will receipt into the general fund spending reserve and hopes to eventually move this money to the permanent improvement fund. This will continue through the last payment in 2014.

**Rock Hill Local School District  
Lawrence County, Ohio**

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
June 30, 2012**

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

**None Noted**

**Rock Hill Local School District  
Lawrence County**

**Schedule of Prior Audit Findings  
OMB Circular A-133 § .315 (b)  
For the Fiscal Year Ended June 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Material Weakness – Capital Assets Policy	No	Re-issued 2012-001
2011-02	Noncompliance Citation - Title I Allowable Costs	Yes	Corrected
2011-03	Significant Deficiency – Internal Controls over Federal Compliance	No	Partially corrected, included as part of the Management Letter





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## Independent Auditor's Report on Applying Agreed Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Revised Code Section 3313.666 required the Board to amend its definition by September 28, 2010

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

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

February 27, 2013

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# Dave Yost • Auditor of State

ROCK HILL LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 23, 2013