

Rock Hill Local School District

Lawrence County

Single Audit

July 1, 2000 through June 30, 2001

Fiscal Year Audited Under GAGAS: 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of the Board
Rock Hill Local School District
2273 County Road 26
Ironton, OH 45638-8386

We have reviewed the Independent Auditor's Report of the Rock Hill Local School District, Lawrence County, prepared by Balestra & Company, for the audit period July 1, 2000 to June 30, 2001. 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.

JIM PETRO
Auditor of State

December 28, 2001

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ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

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Independent Auditors' Report

Members of the Board
Rock Hill Local School District
2273 County Road 26
Ironton, Ohio 45638-8386

We have audited the accompanying general purpose financial statements of the Rock Hill Local School District (The District), Lawrence County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Rock Hill Local School District, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund type 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 December 7, 2001, on our consideration of the Rock Hill Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

As described in Note 3 to the general purpose financial statements, the District implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

Balestra & Company
Balestra & Company

December 7, 2001

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,439,767	\$792,088	\$194,294	\$20,254,929
Cash and Cash Equivalents with Fiscal Agents	0	0	0	638,960
Receivables:				
Property Taxes	1,787,908	42,057	317,989	0
Intergovernmental	0	298,571	0	569,847
Due from Other Funds	15,340	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid Items	43,547	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	764,268	0	0	267,660
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$7,050,830</u>	<u>\$1,132,716</u>	<u>\$512,283</u>	<u>\$21,731,396</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$167,931	\$32,735	\$0	\$0	\$25,881,744
0	0	0	0	638,960
0	0	0	0	2,147,954
0	0	0	0	868,418
0	0	0	0	15,340
4,926	0	0	0	4,926
1,006	0	0	0	1,006
0	0	0	0	43,547
0	0	0	0	1,031,928
0	0	30,437,775	0	30,437,775
0	0	0	196,177	196,177
0	0	0	4,281,241	4,281,241
<u>\$173,863</u>	<u>\$32,735</u>	<u>\$30,437,775</u>	<u>\$4,477,418</u>	<u>\$65,549,016</u>

(Continued)

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$23,187	\$0	\$0	\$733
Contracts Payable	129,868	0	0	2,129,314
Accrued Wages and Benefits Payable	864,784	193,067	0	0
Compensated Absences Payable	3,592	0	0	0
Due to Other Funds	0	15,340	0	0
Retainage Payable	10,249	0	0	906,620
Intergovernmental Payable	149,898	40,175	0	0
Deferred Revenue	1,777,763	237,700	316,106	536,449
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,959,341	486,282	316,106	3,573,116
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,336,173	125,507	0	16,168,824
Reserved for Textbooks	88,065	0	0	0
Reserved for Property Taxes	10,146	249	1,883	0
Reserved for Budget Stabilization	124,918	0	0	0
Reserved for Bus Purchases	551,285	0	0	0
Unreserved:				
Designated	700,301	0	0	0
Undesignated	1,280,601	520,678	194,294	1,989,456
Total Fund Equity and Other Credits	4,091,489	646,434	196,177	18,158,280
Total Liabilities, Fund Equity and Other Credits	\$7,050,830	\$1,132,716	\$512,283	\$21,731,396

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$710	\$0	\$0	\$0	\$24,630
0	0	0	0	2,259,182
51,274	0	0	0	1,109,125
23,589	0	0	748,209	775,390
0	0	0	0	15,340
0	0	0	0	916,869
11,030	0	0	94,209	295,312
2,297	0	0	0	2,870,315
0	6,652	0	0	6,652
0	19,912	0	0	19,912
0	0	0	3,635,000	3,635,000
88,900	26,564	0	4,477,418	11,927,727
0	0	30,437,775	0	30,437,775
329,426	0	0	0	329,426
(244,463)	0	0	0	(244,463)
0	3,457	0	0	17,633,961
0	0	0	0	88,065
0	0	0	0	12,278
0	0	0	0	124,918
0	0	0	0	551,285
0	0	0	0	700,301
0	2,714	0	0	3,987,743
84,963	6,171	30,437,775	0	53,621,289
<u>\$173,863</u>	<u>\$32,735</u>	<u>\$30,437,775</u>	<u>\$4,477,418</u>	<u>\$65,549,016</u>

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues:</u>				
Property Taxes	\$1,687,671	\$39,414	\$297,972	\$0
Intergovernmental	8,874,015	2,014,679	15,779	24,300,974
Interest	465,260	0	0	408,683
Tuition and Fees	27,993	0	0	0
Extracurricular Activities	0	128,626	0	0
Miscellaneous	363,055	0	0	0
Total Revenues	11,417,994	2,182,719	313,751	24,709,657
<u>Expenditures:</u>				
Current:				
Instruction				
Regular	3,713,263	1,198,936	0	95,286
Special	1,526,420	681,645	0	0
Vocational	197,643	0	0	0
Other	11,550	0	0	0
Support Services				
Pupils	313,278	29,977	0	44,602
Instructional Staff	287,008	66,660	0	0
Board of Education	294,285	0	0	0
Administration	828,671	0	0	0
Fiscal	218,206	545	4,119	0
Operation and Maintenance of Plant	1,357,320	0	0	10,870
Pupil Transportation	874,211	0	0	0
Central	6,458	1,554	0	0
Non-Instructional Services	0	250	0	0
Extracurricular Activities	110,507	60,680	0	0
Capital Outlay	133,427	0	0	19,284,276
Debt Service				
Principal Retirement	0	0	95,000	0
Interest and Fiscal Charges	0	0	176,302	0
Total Expenditures	9,872,247	2,040,247	275,421	19,435,034
Excess of Revenues Over (Under) Expenditures	1,545,747	142,472	38,330	5,274,623
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	0	74,209	0	0
Operating Transfers Out	(194,209)	0	0	0
Total Other Financing Sources (Uses)	(194,209)	74,209	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,351,538	216,681	38,330	5,274,623
Fund Balances at Beginning of Year	2,771,953	429,753	157,847	12,883,657
Decrease in Reserve for Inventory	(32,002)	0	0	0
Fund Balances at End of Year	\$4,091,489	\$646,434	\$196,177	\$18,158,280

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$0	\$2,025,057
0	35,205,447
0	873,943
0	27,993
14,116	142,742
0	363,055
14,116	38,638,237
16,920	5,024,405
0	2,208,065
0	197,643
0	11,550
0	387,857
0	353,668
0	294,285
0	828,671
0	222,870
0	1,368,190
0	874,211
0	8,012
0	250
0	171,187
0	19,417,703
0	95,000
0	176,302
16,920	31,639,869
(2,804)	6,998,368
0	74,209
0	(194,209)
0	(120,000)
(2,804)	6,878,368
8,975	16,252,185
0	(32,002)
\$6,171	\$23,098,551

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,706,379	\$1,706,379	\$0
Intergovernmental	8,874,665	8,874,665	0
Interest	465,260	465,260	0
Tuition and Fees	28,009	28,009	0
Extracurricular Activities	0	0	0
Miscellaneous	348,642	348,642	0
Total Revenues	11,422,955	11,422,955	0
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction</u>			
Regular	4,070,419	4,070,419	0
Special	1,515,422	1,515,422	0
Vocational	274,388	274,388	0
Other	21,550	21,550	0
<u>Support Services</u>			
Pupils	311,148	311,148	0
Instructional Staff	334,720	334,720	0
Board of Education	347,281	347,281	0
Administration	959,300	959,300	0
Fiscal	256,517	256,517	0
Operation and Maintenance of Plant	1,697,910	1,697,910	0
Pupil Transportation	1,020,929	1,020,929	0
Central	6,458	6,458	0
Non-Instructional Services	0	0	0
Extracurricular Activities	115,130	115,130	0
Capital Outlay	341,874	341,874	0
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	11,273,046	11,273,046	0
Excess of Revenues Over (Under) Expenditures	149,909	149,909	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Advances In	8,371	8,371	0
Operating Transfers Out	(194,209)	(194,209)	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	(185,838)	(185,838)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(35,929)	(35,929)	0
Fund Balances at Beginning of Year	2,037,968	2,037,968	0
Prior Year Encumbrances Appropriated	1,721,142	1,721,142	0
Fund Balances at End of Year	\$3,723,181	\$3,723,181	\$0

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$39,873	\$39,873	\$0	\$301,443	\$301,443	\$0
1,993,856	1,993,856	0	15,779	15,779	0
0	0	0	0	0	0
0	0	0	0	0	0
128,626	128,626	0	0	0	0
0	0	0	0	0	0
2,162,355	2,162,355	0	317,222	317,222	0
1,284,784	1,284,784	0	0	0	0
761,376	761,376	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
24,043	24,043	0	0	0	0
75,741	75,741	0	0	0	0
0	0	0	0	0	0
768	768	0	0	0	0
545	545	0	4,119	4,119	0
0	0	0	0	0	0
0	0	0	0	0	0
1,554	1,554	0	0	0	0
700	700	0	0	0	0
68,705	68,705	0	0	0	0
0	0	0	0	0	0
0	0	0	95,000	95,000	0
0	0	0	176,302	176,302	0
2,218,216	2,218,216	0	275,421	275,421	0
(55,861)	(55,861)	0	41,801	41,801	0
74,209	74,209	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(8,371)	(8,371)	0	0	0	0
65,838	65,838	0	0	0	0
9,977	9,977	0	41,801	41,801	0
473,693	473,693	0	152,493	152,493	0
157,374	157,374	0	0	0	0
\$641,044	\$641,044	\$0	\$194,294	\$194,294	\$0

(Continued)

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001
(Continued)

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$0	\$0	\$0
Intergovernmental	24,222,974	24,267,576	44,602
Interest	408,683	408,683	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	24,631,657	24,676,259	44,602
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction			
Regular	100,718	100,718	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupils	0	44,602	(44,602)
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	12,000	12,000	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	35,490,474	35,490,474	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	35,603,192	35,647,794	(44,602)
Excess of Revenues Over (Under) Expenditures	(10,971,535)	(10,971,535)	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,971,535)	(10,971,535)	0
Fund Balances at Beginning of Year	10,263,601	10,263,601	0
Prior Year Encumbrances Appropriated	3,570,613	3,570,613	0
Fund Balances at End of Year	\$2,862,679	\$2,862,679	\$0

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,047,695	\$2,047,695	\$0
0	0	0	35,107,274	35,151,876	44,602
0	0	0	873,943	873,943	0
0	0	0	28,009	28,009	0
14,116	14,116	0	142,742	142,742	0
0	0	0	348,642	348,642	0
14,116	14,116	0	38,548,305	38,592,907	44,602
20,724	20,724	0	5,476,645	5,476,645	0
0	0	0	2,276,798	2,276,798	0
0	0	0	274,388	274,388	0
0	0	0	21,550	21,550	0
0	0	0	335,191	379,793	(44,602)
0	0	0	410,461	410,461	0
0	0	0	347,281	347,281	0
0	0	0	960,068	960,068	0
0	0	0	261,181	261,181	0
0	0	0	1,709,910	1,709,910	0
0	0	0	1,020,929	1,020,929	0
0	0	0	8,012	8,012	0
0	0	0	700	700	0
0	0	0	183,835	183,835	0
0	0	0	35,832,348	35,832,348	0
0	0	0	95,000	95,000	0
0	0	0	176,302	176,302	0
20,724	20,724	0	49,390,599	49,435,201	(44,602)
(6,608)	(6,608)	0	(10,842,294)	(10,842,294)	0
0	0	0	74,209	74,209	0
0	0	0	8,371	8,371	0
0	0	0	(194,209)	(194,209)	0
0	0	0	(8,371)	(8,371)	0
0	0	0	(120,000)	(120,000)	0
(6,608)	(6,608)	0	(10,962,294)	(10,962,294)	0
5,967	5,967	0	12,933,722	12,933,722	0
3,334	3,334	0	5,452,463	5,452,463	0
\$2,693	\$2,693	\$0	\$7,423,891	\$7,423,891	\$0

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	<u>\$148,028</u>
Total Operating Revenues	<u>148,028</u>
<u>Operating Expenses:</u>	
Salaries	230,953
Fringe Benefits	200,358
Purchased Services	20,547
Materials and Supplies	24,162
Cost of Sales	266,628
Depreciation	<u>1,380</u>
Total Operating Expenses	<u>744,028</u>
Operating Loss	<u>(596,000)</u>
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	33,435
Interest	3,563
Federal and State Subsidies	<u>388,034</u>
Total Non-Operating Revenues	<u>425,032</u>
Net Loss Before Operating Transfers	(170,968)
Operating Transfers In	<u>120,000</u>
Net Loss	(50,968)
Retained Earnings (Deficit) at Beginning of Year	<u>(193,495)</u>
Retained Earnings (Deficit) at End of Year	(244,463)
Contributed Capital at Beginning and End of Year	<u>329,426</u>
Total Fund Equity at End of Year	<u><u>\$84,963</u></u>

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$148,028	\$148,028	\$0
Interest	3,563	3,563	0
Federal and State Subsidies	388,034	388,034	0
Total Revenues	<u>539,625</u>	<u>539,625</u>	<u>0</u>
<u>Expenses</u>			
Salaries	277,569	277,569	0
Fringe Benefits	158,721	158,721	0
Purchased Services	22,958	22,958	0
Materials and Supplies	262,276	262,276	0
Total Operating Expenses	<u>721,524</u>	<u>721,524</u>	<u>0</u>
Excess of Revenue Under Expenses	(181,899)	(181,899)	0
Operating Transfers In	<u>120,000</u>	<u>120,000</u>	<u>0</u>
Excess of Revenues Under Expenses and Transfers	(61,899)	(61,899)	0
Fund Equity at Beginning of Year	214,441	214,441	0
Prior Year Encumbrances Appropriated	<u>8,079</u>	<u>8,079</u>	<u>0</u>
Fund Equity at End of Year	<u>\$160,621</u>	<u>\$160,621</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$148,028
Cash Payments to Suppliers for Goods and Services	(277,922)
Cash Payments for Employee Services and Benefits	(436,289)
	(566,183)
<u>Net Cash Used for Operating Activities</u>	(566,183)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	388,034
Operating Transfers In	120,000
	508,034
<u>Net Cash Provided by Noncapital Financing Activities</u>	508,034
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	3,563
	3,563
<u>Net Decrease in Cash and Cash Equivalents</u>	(54,586)
Cash and Cash Equivalents at Beginning of Year	222,517
	222,517
<u>Cash and Cash Equivalents at End of Year</u>	167,931
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(596,000)
	(596,000)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	1,380
Donated Commodities Used During Year	33,435
<u>Changes in Assets and Liabilities:</u>	
Decrease in Inventory Held for Resale	1,411
Increase in Materials and Supplies Inventory	(680)
Increase in Accounts Payable	125
Increase in Accrued Wages and Benefits Payable	1,615
Increase in Compensated Absences Payable	3,044
Decrease in Deferred Revenue	(697)
Decrease in Intergovernmental Payable	(9,816)
	(9,816)
<u>Total Adjustments</u>	29,817
<u>Net Cash Used for Operating Activities</u>	(\$566,183)

See accompanying notes to the general purpose financial statements

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 92 non-certificated employees, 144 certificated full time teaching personnel and 7 administrators who provide services to 1,982 students and other community members.

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

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

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are presented in Note 16 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Lawrence County Joint Vocational School District
South Central Ohio Computer Association

Insurance Purchasing Entity Risk Pools:

Ohio School Boards Association Workers' Compensation Group Rating Program
Lawrence County Schools Insurance Purchasing Consortium

Note 2 - Summary of Significant Accounting Policies

The financial statements of Rock Hill Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis is followed for the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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 nonexchange transactions must also be available before it can be recognized.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Prior to June 30, the Board requested and received an amended certificate in which estimated revenues equaled actual revenue for all funds except the capital projects fund.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (Continued)

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and taxrates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Prior to year-end, the School District's Board passed appropriations that reflected actual expenditures/expenses for the fiscal year for all funds except the capital projects fund.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The School District is responsible for several interest bearing accounts that are in contractors' names and consist of retainage held on contracts. The balances in these accounts are presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2001, investments were limited to STAR Ohio and repurchase agreements which are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Cash and Investments (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$465,260, which includes \$273,939 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food, and are expended when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of one hundred fifty 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

H. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. General obligation bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Fund Balance Reserves (Continued)

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials and budget stabilization. See Note 18 for additional information regarding set asides.

During fiscal year 2001, the School District held retainage monies for the construction of new school buildings. Retainage amounts at June 30, 2001 have been restricted and are presented as "Cash with Fiscal Agents" on the balance sheet.

N. Designation of Fund Balance

The School District designates Fund balance for money set aside above the reserves for textbooks, capital acquisition and budget stabilization required by State statute. See Note 18 for additional information regarding set asides.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 3 - Changes in Accounting Principles

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000; however, previously reported intergovernmental receivables and deferred revenue were increased by \$24,636,944 in the Capital Projects Fund Type. The increase was made to record the remaining amount of the "Classroom Facilities Program" grant awarded to the School District on May 5, 1999.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 4 - Budgetary Basis of Accounting

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$1,351,538	\$216,681	\$38,330	\$5,274,624	(\$2,804)
Revenue Accruals	4,961	(20,364)	3,471	(33,398)	0
Advances In	8,371	0	0	0	0
Expenditure Accruals	44,879	(35,296)	0	2,086,109	(327)
Prepaid Items	43,547	0	0	0	0
Encumbrances	(1,489,225)	(142,673)	0	(18,298,870)	(3,477)
Advances Out	0	(8,371)	0	0	0
Budget Basis	<u>(\$35,929)</u>	<u>\$9,977</u>	<u>\$41,801</u>	<u>(\$10,971,535)</u>	<u>(\$6,608)</u>

Net Loss/Excess of Revenues Under Expenses and Transfers
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$50,968)
Revenue Accrual	(33,435)
Expense Accruals	28,434
Depreciation Expense	1,380
Encumbrances	(7,310)
Budget Basis	<u>(\$61,899)</u>

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 5 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 5 - Deposits and Investments (Continued)

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

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

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

Deposits At year end, the carrying amount of the School District's deposits was \$9,447,702 and the bank balance was \$25,944,287. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$25,844,287 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Unclassified	Carrying and Fair Value
Repurchase Agreements	\$13,714,817		\$13,714,817
STAR Ohio		\$4,390,113	4,390,113
	\$13,714,817	\$4,390,113	\$18,104,930
GASB Statement 3	\$13,714,817	\$4,390,113	\$18,104,930

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 5 - Deposits and Investments (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$27,552,632	\$0
Repurchase Agreements	(13,714,817)	13,714,817
STAR Ohio	(4,390,113)	4,390,113
	\$9,447,702	\$18,104,930
GASB Statement 3		

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in an intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2001 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - Property Taxes (Continued)

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$50,328,300	58%	\$50,654,460	59%
Public Utility Personal	19,356,270	22%	19,926,390	23%
Tangible Personal Property	16,775,970	20%	15,602,170	18%
Total	\$86,460,540	100%	\$86,183,020	100%
 Tax rate per \$1,000 of assessed valuation		 \$25.00		 \$25.00

The School District receives property taxes from Lawrence County. The Lawrence 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2001 was \$10,146 in the General Fund, \$1,883 in the Debt Service Fund and \$249 in the Classroom Facilities Special Revenue Fund.

Note 7 - Receivables

Receivables at June 30, 2001, consisted of taxes, due from other funds and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 7 - Receivables (Continued)

Intergovernmental Receivables	Amounts
Special Revenues Fund:	
Eisenhower Grant	\$1,489
Title I Grant	230,675
E-Rate Grant	447
Title VI-R Grant	65,960
Total Special Revenue Funds	298,571
Capital Projects Funds	
Schoolnet Grant	6,000
Video Distance Learning Grant	27,398
Ohio School Facilities Commission Grant	536,449
Total Capital Projects Funds	569,847
Total Intergovernmental Receivables	\$868,418

On May 5, 1999, the School District was awarded \$30,811,556 for renovations and additions to various school buildings within the School District under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which State grants pay for a portion of the estimated project costs. As of the end of fiscal year 2001, the School District had received \$30,275,109 of the amount awarded under this program. The remaining amount of \$536,449 is recorded as a receivable and a deferred revenue on the balance sheet.

Note 8 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$268,934
Less: accumulated depreciation	(268,934)
Net Fixed Assets	\$0

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Land and Improvements	\$1,580,782	\$0	\$0	\$1,580,782
Buildings	4,927,316	0	0	4,927,316
Vehicles	1,213,999	106,171	0	1,320,170
Furniture and Equipment	2,688,668	134,703	11,894	2,811,477
Textbooks	766,020	0	0	766,020
Construction in Progress	0	19,032,010	0	19,032,010
Total General Fixed Assets	\$11,176,785	\$19,272,884	\$11,894	\$30,437,775

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$250 deductible.

Professional liability is protected by The Nationwide Insurance Company with a \$3,000,000 single occurrence limit and no deductible. Vehicles are covered by Nationwide Insurance and hold no deductible for comprehensive and \$50 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 16). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$315,622, \$240,633 and \$253,717, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$51,921 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 10 - Defined Benefit Pension Plans (Continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$48,386, \$76,638 and \$83,832, respectively; 23 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$37,368 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$420,830 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 11 - Postemployment Benefits (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$127,960.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees may accumulate an unlimited amount of sick days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 55 days.

B. *Insurance Benefits*

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees through Community National Insurance, in the amount of \$10,000 for non-certified employees and \$20,000 for certified employees. Employees may purchase additional coverage of up to \$15,000 for non-certified employees and \$30,000 for certified employees.

Health insurance is provided by Medical Benefits Mutual Life Insurance Company. Premiums for this coverage are \$757.05 for family coverage and \$306.80 for single coverage. The School District pays 85% of these premiums for certified employees and 95% for non-certified employees.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2001, were as follows:

	Principal Outstanding 6/3/00	Additions	Deductions	Principal Outstanding 6/30/01
General Obligations Bonds 1999 - 4.97%	3,730,000	0	95,000	3,635,000
Compensated Absences	727,029	96,569	75,389	748,209
Pension Obligation	181,754	94,209	181,754	94,209
Total General Long-Term Obligations	\$4,638,783	\$190,778	\$352,143	\$4,477,418

The general obligations bonds were issued for the construction and remodeling of school buildings. The general obligation bonds will be paid from the debt service fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The general obligation bonds were issued in 1999 and represented the local share for the School District's construction of a new high school, new elementary school, and for renovations to the middle school. The general obligation bonds will be paid from the proceeds of a 4.28 mill bond levy. In addition to these proceeds, the School District will receive a total of \$30,811,556 in monies from the Ohio School Facilities Commission. The bond levy includes a half-mill levy to be used to repay the Ohio School Facilities Commission if the School District's assessed valuation is above the statewide median. Currently the School District ranks 593 out of 611 districts. The likelihood of future payments requirements is remote. However, in any year in which the School District's assessed values rise above the median, half of the levy proceeds would be paid to the State to retire the loan. Any unpaid balance at the end of 23 years will be forgiven. The School District can use the proceeds of the half-mill levy for the maintenance of the new buildings.

The School District's overall legal debt margin was \$7,950,766 with an unvoted debt margin of \$3,596,183 at June 30, 2001. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	100,000	172,693	272,693
2003	105,000	168,745	273,745
2004	110,000	164,497	274,497
2005	115,000	159,940	274,940
2006	115,000	155,167	270,167
2007 – 2011	665,000	694,925	1,359,925
2012 – 2016	825,000	530,409	1,355,409
2017 – 2021	1,070,000	278,000	1,348,000
2022 – 2023	530,000	27,000	557,000
Total	\$3,635,000	\$2,351,376	\$5,986,376

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 14 - Interfund Activity

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
	<u> </u>	<u> </u>
General Fund	\$15,340	\$0
Special Revenues Funds:		
Title I	0	3,463
Miscellaneous Federal Grants	0	11,877
	<u> </u>	<u> </u>
Total	<u> \$15,340 </u>	<u> \$15,340 </u>

Note 15 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues	\$145,682	\$2,346	\$148,028
Depreciation	1,380	0	1,380
Operating Income (Loss)	(596,627)	627	(596,000)
Donated Commodities	33,435	0	33,435
Federal and State Subsidies	388,034	0	388,034
Transfers In	120,000	0	120,000
Net Income/(Loss)	(51,595)	627	(50,968)
Net Working Capital	104,698	3,854	108,552
Total Assets	170,009	3,854	173,863
Long-Term Compensated Absences Payable	23,589	0	23,589
Total Equity	81,109	3,854	84,963
Encumbrances (Budget Basis), June 30, 2001	7,310	0	7,310

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 16 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

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. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. The School District paid \$3,964 for services provided during fiscal year 2001. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake-Union Exempted Village School District, two from the Ironton City School District and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

B. Insurance Purchasing Pools

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.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers. Participants pay \$5 per month per participating employee to the consortium to cover the costs of administering the program.

Note 17 - School Funding Court Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- < A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- < Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 17 - School Funding Court Decision (Continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Note 18 - Set - Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, Senate Bill 345 eliminated the Statutory requirement of a budget stabilization. However, consistent with Section 5705.13 R.C., a School District may, by board resolution, establish a budget stabilization reserve not to exceed 5% of the general fund revenues. According to Senate Bill 345, any money on hand in a school district's budget stabilization set aside as of April 10, 2001, may at the discretion of the board be returned to the 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 fiscal years. The statute also authorized the school district to use all or part of the funds formerly included in the budget stabilization for the purpose of providing the district's portion of the basic project costs of any project undertaken in accordance with Chapter 3318, R.C., Classroom Facilities.

Senate Bill 345 places special conditions on any Bureau of Worker's Compensation (BWC) monies remaining in the budget reserve set aside as of April 10, 2001. Any portion of the budget stabilization set-a-side consisting of refunds or rebates from BWC that were previously required by law to be deposited into the budget reserve may be used solely for the following purposes:

- < To offset a budget deficit;
- < For school facility construction, renovation or repair;
- < For textbooks or instructional materials, including science equipment or laboratories;
- < For the purchase of school buses; or
- < For professional development of teachers

BWC refunds or rebates received after April 10, 2001 are not required to be deposited into the school district's budget reserve.

The School District decided to maintain the budget stabilization reserve consistent with Section 5705.13R.C. The School District has left the BWC monies in the budget stabilization reserve. The remaining funds have been returned to the general fund.

The School District also receives resources from the State of Ohio which are restricted by state law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of Fund Balance in the General Fund at fiscal year end.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 18 - Set - Aside Calculations and Fund Reserves (Continued)

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2000	\$908	\$0	\$193,419
Current Year Set-aside Requirement	206,413	206,413	0
Reduction in Budget Stabilization based on Statutory Revision	0	0	(68,501)
Offsets	0	(246,534)	0
Qualifying Disbursements	(119,256)	(17,031,121)	0
Total Set-aside Reserve Balance as of June 30, 2001	<u>\$88,065</u>	<u>\$0</u>	<u>\$124,918</u>
Set-aside Balance Carried Forward to Future Fiscal Year	<u>\$88,065</u>	<u>(\$17,071,242)</u>	<u>\$124,918</u>

The School District has qualifying disbursements during the fiscal year that reduced the capital improvement set-aside amount below zero. The extra amount in the capital improvements set-aside may be used to reduce the set-aside requirements of future years. The School District designated \$137,798 for textbooks, \$217,867 for capital acquisition and \$344,636 for budget stabilization. The total reserve balance for the three set-asides at the end of the fiscal year was \$212,983.

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is currently not party to any legal proceedings.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 20 - Contractual Commitments

The School District has entered into contracts for the design and construction of new buildings and renovations to existing buildings in the School District. Outstanding construction commitments at June 30, 2001, in the Classroom Facilities Capital Projects Fund are as follows:

Project	Contract Amount	Amount Expended	Balance at 6/30/01
Beaver Excavation	\$4,188,930	\$3,853,816	\$335,114
Beaver Excavation	363,563	312,078	51,485
Central Fire Protection	402,197	194,997	207,200
David Darnold	3,894,828	2,817,146	1,077,682
Glennco	314,000	39,698	274,302
Glennco	1,408,362	616,300	792,062
James Electric	690,330	34,918	655,412
James Electric	2,959,376	1,376,619	1,582,757
Mechanical Construction	1,495,000	206,255	1,288,745
RWS Building	1,458,000	238,815	1,219,185
RWS Building	15,440,000	8,308,274	7,131,726
Stockmeister	1,893,585	295,180	1,598,405
Lucent	678,854	0	678,854
Glockner	73,210	0	73,210
Ohio Bus Sales	30,272	0	30,272
Triad Architects	1,990,977	1,569,922	421,055

Rock Hill Local School District
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$32,737	\$0	\$33,435
School Breakfast Program	05-PU	10.553	124,906	0	124,906	0
National School Lunch Program	04-PU	10.555	241,509	0	241,509	0
Total United States Department of Agriculture - Nutrition Cluster			366,415	32,737	366,415	33,435
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Special Education Grants to States	C1-S1	84.010	595,280	0	620,917	0
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	135,278	0	135,563	0
Drug Free Schools	DR-S1	84.186	8,582	0	8,392	0
Goals 2000	G2-S1	84.276	72,898	0	6,108	0
Eisenhower Professional Development Grant	MS-S1	84.281	13,402	0	6,488	0
Innovative Education Program Strategy	C2-S1	84.298	14,684	0	19,222	0
Class Size Reduction	CR-S1	84.340	28,269	0	63,412	0
Total United States Department of Education			868,393	0	860,102	0
Total Federal Financial Assistance			\$1,234,808	\$32,737	\$1,226,517	\$33,435

N/A - Not Available

See accompanying notes to Schedule of Federal Awards Expenditures

**ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

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**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Members of the Board
Rock Hill Local School District
2273 County Road 26
Ironton, Ohio 45638-8386

We have audited the financial statements of the Rock Hill Local School District, Lawrence County, as of and for the year ended June 30, 2001, in which we indicated the District had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Balestra & Company
Balestra & Company

December 7, 2001

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

Members of the Board
Rock Hill Local School District
2273 County Road 26
Ironton, Ohio 45638-8386

Compliance

We have audited the compliance of the Rock Hill Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Rock Hill Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Rock Hill Local School District's management. Our responsibility is to express an opinion on Rock Hill Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rock Hill Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rock Hill Local School 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 are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

Members of the Board
Rock Hill Local School District
Ironton, Ohio 45638
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance
With OMB Circular A-133
Page 2

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

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

Balestra & Company
Balestra & Company

December 7, 2001

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

**ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

**ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2001**

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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ROCK HILL LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2002**