

Rock Hill Local School District

Single Audit

July 1 , 2002 Through June 30, 2003

Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAs, Inc.

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**Auditor of State
Betty Montgomery**

Board of Education
Rock Hill Local School District
Ironton, Ohio

We have reviewed the Independent Auditor's Report of the Rock Hill Local School District, Lawrence County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 10, 2004

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Rock Hill Local School District
For the Fiscal Year Ended June 30, 2003

Table of Contents

	<u>Page</u>
Independent Auditor’s Report.....	1
Managements’ Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Funds Balances To Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) – General Fund	16
Statement of Fiduciary Assets and Liabilities – Agency Fund	17
Notes to the Basic Financial Statements	18
Schedule of Federal Awards Expenditures	40
Notes to the Schedule of Federal Awards Expenditures	41
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	42
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Compliance in Accordance With OMB Circular A-133.....	44
Schedule of Findings and Questioned Costs OMB Circular §.505.....	46

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District (the School District), Lawrence County, as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2003, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2004, on our consideration of the School District's internal control over financial reporting and on 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 Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
January 23, 2004

Rock Hill Local School District, Ohio

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of the Rock Hill Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2003 are as follows:

- Net assets of governmental activities increased \$3,907,266.
- General revenues accounted for \$16,297,693 or 81% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,941,061 or 19% of total revenues of \$20,238,754.
- Disregarding the revenue in lieu of taxes receivable, total assets of governmental activities increased \$2,571,781 as cash increased \$404,557, taxes receivable increased \$52,418, intergovernmental receivables decreased \$131,308, and capital assets increased \$2,141,043.
- The School District had \$16,331,488 in expenses related to governmental activities; only \$3,941,061 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$16,297,693 were more than adequate to provide for these programs.
- The School District has four major funds; the General Fund, the Bond Retirement Debt Service Fund, the Permanent Improvements Capital Projects Fund, and the Classroom Facilities Capital Projects Fund. The General Fund had \$13,093,900 in revenues and \$12,274,318 in expenditures. The General Fund's balance increased \$783,648. The Bond Retirement Debt Service Fund had \$3,700,000 in revenues and \$273,745 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$3,426,255. The Permanent Improvements Capital Projects Fund had \$100,000 in revenues and \$519,508 in expenditures. The Permanent Improvements Capital Projects Fund's balance decreased \$419,508. The Classroom Facilities Capital Projects Fund had \$43,345 in revenues and \$2,557,525 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased by \$2,514,180.
- The School District received a total of \$3,800,000 in revenue in lieu of taxes, \$3,700,000 of which will be used to pay down the School District's School Construction General Obligation Bond. The School District, Lawrence County, and Hamilton Township have entered into an agreement with Duke Energy, LLC, which will pay the School District a total of \$9,635,000. The monies received in fiscal year 2003 is the first of what will be 13 installments concluding in fiscal year 2014.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Rock Hill Local School District, Ohio

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, the Permanent Improvements Capital Projects Fund, and the Classroom Facilities Capital Projects Fund.

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

Rock Hill Local School District, Ohio

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 1
Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$25,336,844	\$28,706,106
Capital Assets	<u>42,841,633</u>	<u>40,700,590</u>
Total Assets	<u>68,178,477</u>	<u>69,406,696</u>
Liabilities		
Long-term Liabilities	4,243,082	4,333,966
Other Liabilities	<u>10,208,260</u>	<u>15,252,861</u>
Total Liabilities	<u>14,451,342</u>	<u>19,586,827</u>
Net Assets		
Invested in Capital Assets, Net of Debt	39,399,949	37,153,619
Restricted	8,647,788	7,738,820
Unrestricted	<u>5,679,398</u>	<u>4,927,430</u>
Total Net Assets	<u>\$53,727,135</u>	<u>\$49,819,869</u>

Total assets decreased \$1,228,219. The decrease is primarily due to the decrease of revenue in Lieu of taxes receivable.

The total liabilities decrease of \$5,135,485 is primarily due to the decrease in deferred revenue (see revenue in lieu of taxes receivable in the Bond Retirement Debt Service Fund and intergovernmental receivable in the Classroom Facilities Capital Projects Fund) of \$8,845,001.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Rock Hill Local Schools has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Rock Hill Local School District, Ohio

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities <u>2003</u>
Revenues	
Program Revenues	
Charges for Services	\$314,203
Operating Grants, Contributions and Interest	3,532,251
Capital Grants and Contributions	94,607
Total Program Revenues	<u>3,941,061</u>
General Revenues	
Property Taxes	1,829,924
Grants and Entitlements	9,827,774
Payments in Lieu of Taxes	3,800,000
Investment Earnings	439,988
Miscellaneous	215,847
Gain on Sale of Capital Assets	184,160
Total General Revenues	<u>16,297,693</u>
Total Revenues	<u>20,238,754</u>
Program Expenses	
Instruction:	
Regular	6,498,185
Special	2,281,774
Vocational	248,860
Support Services:	
Pupils	394,591
Instructional Staff	470,119
Board of Education	288,188
Administration	862,473
Fiscal	248,158
Operation and Maintenance of Plant	2,619,072
Pupil Transportation	968,183
Central	36,822
Operation of Non-Instructional Services	837,187
Extracurricular Activities	409,418
Interest and Fiscal Charges	168,458
Total Expenses	<u>16,331,488</u>
Increase in Net Assets	<u>\$3,907,266</u>

Over the past several years, the School District has remained in good financial position. The School District's assessed valuation has increased slightly in spite of utility deregulation. The School District has added several staff members to accommodate the new school facilities and additional instructional programs. The combined salaries and benefits as well as supplies have increased the expenses. The expenses for the Rock Hill Local School District have increased, but are more than offset by a corresponding increase in revenues.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2002 have not been made since they are not available.

Rock Hill Local School District, Ohio

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 3
Governmental Activities

	<u>Total Cost of Services</u> 2003	<u>Net Cost of Services</u> 2003
Program Expenses		
Instruction:		
Regular	\$6,498,185	\$4,524,434
Special	2,281,774	1,238,889
Vocational	248,860	248,860
Support Services:		
Pupils	394,591	361,671
Instructional Staff	470,119	385,467
Board of Education	288,188	288,188
Administration	862,473	861,375
Fiscal	248,158	248,078
Operation and Maintenance of Plant	2,619,072	2,595,218
Pupil Transportation	968,183	827,661
Central	36,822	29,371
Operation of Non-Instructional Services	837,187	255,775
Extracurricular Activities	409,418	356,982
Interest and Fiscal Charges	168,458	168,458
Total	<u>\$16,331,488</u>	<u>\$12,390,427</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 67% of instruction activities are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,767,772 and expenditures of \$18,573,734. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

General Fund Budgeting Highlights

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

During the course of fiscal year 2003, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$13,010,853, above original estimates of \$12,636,252. Of this \$374,601 difference, most was due to conservative intergovernmental revenue estimates.

The School District's ending unobligated General Fund balance was \$6,584,349.

Rock Hill Local School District, Ohio

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the School District had \$42,841,633 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2002	2003
Land and Land Improvements	\$8,466,403	\$8,089,724
Buildings and Improvements	30,871,379	32,929,941
Furniture and Equipment	705,120	619,676
Vehicles	657,688	599,853
Construction in Progress	0	602,439
Totals	<u>\$40,700,590</u>	<u>\$42,841,633</u>

Debt

During fiscal year 1999, voters of the School District passed a bond issue in the amount of \$3,790,000 as a result of the School District being approved for a \$36,896,293 school facilities grant through the State Department of Education for the construction of a new elementary school, middle school, and high school (See Note 15).

At June 30, 2003, the School District had general obligation bonds outstanding of \$3,430,000. The bonds were issued for school construction. For additional information on debt, see Note 15 to the basic financial statements.

CURRENT ISSUES

As the preceding information shows, the School District depends upon its taxpayers. Although the Rock Hill Local School District must tighten spending to better bring expenditures in line with revenues, excluding revenue in lieu of taxes, the future outlook is positive. Duke Energy LLC, is constructing a new natural gas-fired electric generation facility within the District's boundaries. The planned completion date for the facility is December 31, 2003. The total tax valuation increase is expected to be \$550,000,000. The first tax collection will be in fiscal year 2015. The additional tax revenue and revenue in lieu of taxes, will allow the District to continue to grow without the addition of tax levies.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

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Rock Hill Local School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$16,786,690
Cash and Cash Equivalents in Segregated Accounts	280,803
Property Taxes Receivable	1,890,627
Accounts Receivable	164
Intergovernmental Receivable	355,053
Prepaid Items	181,688
Materials and Supplies Inventory	6,819
Revenue in Lieu of Taxes Receivable	5,835,000
Nondepreciable Capital Assets	1,420,096
Depreciable Capital Assets, Net	<u>41,421,537</u>
<i>Total Assets</i>	<u>68,178,477</u>
Liabilities	
Accounts Payable	88,661
Contracts Payable	439,540
Accrued Wages and Benefits Payable	1,541,616
Retainage Payable	388,767
Accrued Interest Payable	11,684
Deferred Revenue	7,385,742
Intergovernmental Payable	352,250
Long-Term Liabilities:	
Due within One Year	318,745
Due in More than One Year	<u>3,924,337</u>
<i>Total Liabilities</i>	<u>14,451,342</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	39,399,949
Restricted for:	
Budget Stabilization	124,918
Textbooks	154,389
Bus Purchases	589,960
Other Purposes	1,388,465
Debt Service	3,608,083
Capital Projects	2,781,973
Unrestricted	<u>5,679,398</u>
<i>Total Net Assets</i>	<u><u>\$53,727,135</u></u>

See accompanying notes to the basic financial statements

Rock Hill Local School District
Statement of Activities
For the Fiscal Year Ended June, 30, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$6,498,185	\$73,120	\$1,879,368	\$21,263	(\$4,524,434)
Special	2,281,774	495	1,042,390	0	(1,238,889)
Vocational	248,860	0	0	0	(248,860)
Support Services:					
Pupils	394,591	0	32,920	0	(361,671)
Instructional Staff	470,119	205	84,447	0	(385,467)
Board of Education	288,188	0	0	0	(288,188)
Administration	862,473	0	1,098	0	(861,375)
Fiscal	248,158	0	80	0	(248,078)
Operation and Maintenance of Plant	2,619,072	15,083	8,771	0	(2,595,218)
Pupil Transportation	968,183	25,267	41,911	73,344	(827,661)
Central	36,822	0	7,451	0	(29,371)
Operation of Non-Instructional Services	837,187	147,597	433,815	0	(255,775)
Extracurricular Activities	409,418	52,436	0	0	(356,982)
Interest and Fiscal Charges	168,458	0	0	0	(168,458)
Totals	\$16,331,488	\$314,203	\$3,532,251	\$94,607	(12,390,427)
General Revenues					
Property Taxes Levied for:					
General Purposes					1,789,809
Other Purposes					40,115
Grants and Entitlements not Restricted to Specific Programs					9,827,774
Payments in Lieu of Taxes					3,800,000
Investment Earnings					439,988
Miscellaneous					215,847
Gain on Sale of Capital Assets					184,160
Total General Revenues					16,297,693
<i>Change in Net Assets</i>					3,907,266
<i>Net Assets at Beginning of Year - See Note 3</i>					49,819,869
<i>Net Assets at End of Year</i>					\$53,727,135

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio

Balance Sheet
Governmental Funds
June 30, 2003

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$7,754,690	\$3,608,083	\$2,270,160	\$673,155	\$1,503,371	\$15,809,459
Cash and Cash Equivalents in Segregated Accounts	0	0	0	280,803	0	280,803
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	977,231	0	0	0	0	977,231
Receivables:						
Taxes	1,849,124	0	0	0	41,503	1,890,627
Accounts	95	0	0	0	69	164
Intergovernmental	65	0	0	0	354,988	355,053
Due from Other Funds	38,696	0	0	0	0	38,696
Materials and Supplies Inventory	0	0	0	0	6,819	6,819
Revenue in Lieu of Taxes Receivable	0	0	5,835,000	0	0	5,835,000
Prepaid Items	155,146	0	0	0	26,542	181,688
Total Assets	\$10,775,047	\$3,608,083	\$8,105,160	\$953,958	\$1,933,292	\$25,375,540
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$73,490	\$0	\$0	\$0	\$15,171	\$88,661
Contracts Payable	269,491	0	0	170,049	0	439,540
Accrued Wages and Benefits Payable	1,313,473	0	0	0	228,143	1,541,616
Due to Other Funds	0	0	0	0	38,696	38,696
Intergovernmental Payable	218,351	0	0	0	36,257	254,608
Retainage Payable	107,964	0	0	280,803	0	388,767
Deferred Revenue	1,787,857	0	5,835,000	0	360,110	7,982,967
Total Liabilities	3,770,626	0	5,835,000	450,852	678,377	10,734,855
Fund Balances						
Reserved for Encumbrances	933,197	0	225,475	891,265	99,728	2,149,665
Reserved for Property Taxes	61,267	0	0	0	1,373	62,640
Reserved for Budget Stabilization	124,918	0	0	0	0	124,918
Reserved for Textbooks	154,389	0	0	0	0	154,389
Reserved for Bus Purchases	589,960	0	0	0	0	589,960
Unreserved:						
Designated for Budget Stabilization	344,636	0	0	0	0	344,636
Designated for Textbooks	41,535	0	0	0	0	41,535
Designated for Capital Improvements	98,625	0	0	0	0	98,625
Designated for Budget Health Insurance	215,430	0	0	0	42,211	257,641
Undesignated, Reported in:						
General Fund	4,440,464	0	0	0	0	4,440,464
Special Revenue Funds	0	0	0	0	1,104,136	1,104,136
Capital Project Funds (Deficit)	0	0	2,044,685	(388,159)	7,467	1,663,993
Debt Service Fund	0	3,608,083	0	0	0	3,608,083
Total Fund Balances	7,004,421	3,608,083	2,270,160	503,106	1,254,915	14,640,685
Total Liabilities and Fund Balances	\$10,775,047	\$3,608,083	\$8,105,160	\$953,958	\$1,933,292	\$25,375,540

See accompanying notes to the basic financial statements

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balances		\$14,640,685
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		42,841,633
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	277,245	
Grants	<u>319,980</u>	
		597,225
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(11,684)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(97,642)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(3,430,000)	
Compensated Absences Payable	<u>(813,082)</u>	<u>(4,243,082)</u>
Net Assets of Governmental Activities		<u><u>\$53,727,135</u></u>

See accompanying notes to the basic financial statements

Rock Hill Local School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2003

	General	Bond Retirement	Permanent Improvements	Classroom Facilities	Other Governmental Funds	Totals (Memorandum Only)
Revenues						
Property Taxes	\$1,812,598	\$0	\$0	\$0	\$40,626	\$1,853,224
Intergovernmental	10,627,272	0	0	0	2,517,171	13,144,443
Investment Earnings	396,643	0	0	43,345	67	440,055
Charges for Services	0	0	0	0	147,597	147,597
Tuition and Fees	495	0	0	0	2,344	2,839
Extracurricular Activities	0	0	0	0	121,722	121,722
Payments in Lieu of Taxes Revenue	0	3,700,000	100,000	0	0	3,800,000
Miscellaneous	256,892	0	0	0	1,000	257,892
<i>Total Revenues</i>	<u>13,093,900</u>	<u>3,700,000</u>	<u>100,000</u>	<u>43,345</u>	<u>2,830,527</u>	<u>19,767,772</u>
Expenditures						
Current:						
Instruction:						
Regular	4,883,073	0	0	0	1,371,445	6,254,518
Special	1,561,236	0	0	0	477,371	2,038,607
Vocational	269,859	0	0	0	0	269,859
Support Services:						
Pupils	299,299	0	0	0	67,576	366,875
Instructional Staff	292,902	0	0	0	111,291	404,193
Board of Education	288,447	0	0	0	0	288,447
Administration	809,074	0	0	0	876	809,950
Fiscal	232,100	0	0	0	1,342	233,442
Operation and Maintenance of Plant	2,459,697	0	0	0	123,068	2,582,765
Pupil Transportation	922,956	0	0	0	7,157	930,113
Central	35,469	0	0	0	1,374	36,843
Food Service Operations	25,869	0	0	0	718,103	743,972
Extracurricular Activities	156,103	0	0	0	69,035	225,138
Capital Outlay	38,234	0	519,508	2,557,525	0	3,115,267
Debt Service:						
Principal Retirement	0	105,000	0	0	0	105,000
Interest and Fiscal Charges	0	168,745	0	0	0	168,745
<i>Total Expenditures</i>	<u>12,274,318</u>	<u>273,745</u>	<u>519,508</u>	<u>2,557,525</u>	<u>2,948,638</u>	<u>18,573,734</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>819,582</u>	<u>3,426,255</u>	<u>(419,508)</u>	<u>(2,514,180)</u>	<u>(118,111)</u>	<u>1,194,038</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	184,160	0	0	0	0	184,160
Transfers In	0	0	0	0	220,094	220,094
Transfers Out	(220,094)	0	0	0	0	(220,094)
<i>Total Other Financing Sources (Uses)</i>	<u>(35,934)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>220,094</u>	<u>184,160</u>
<i>Net Change in Fund Balance</i>	783,648	3,426,255	(419,508)	(2,514,180)	101,983	1,378,198
<i>Fund Balances at Beginning of Year - Restated (See Note 3)</i>	<u>6,220,773</u>	<u>181,828</u>	<u>2,689,668</u>	<u>3,017,286</u>	<u>1,152,932</u>	<u>13,262,487</u>
<i>Fund Balances at End of Year</i>	<u>\$7,004,421</u>	<u>\$3,608,083</u>	<u>\$2,270,160</u>	<u>\$503,106</u>	<u>\$1,254,915</u>	<u>\$14,640,685</u>

See accompanying notes to the basic financial statements

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances -
Total Governmental Funds \$1,378,198

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

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

Capital Asset Additions	3,996,513	
Depreciation Expense	<u>(1,855,470)</u>	2,141,043

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

Proceeds from the sale of capital assets	(184,160)	
Gain on Disposal of Fixed Assets	<u>184,160</u>	0

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

Grants	310,122	
Delinquent Taxes	<u>(23,300)</u>	286,822

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 105,000

In the statement of activities interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest is expended when due. 287

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

Intergovernmental Payables	10,032	
Compensated Absences Payable	<u>(14,116)</u>	<u>(4,084)</u>

Change in Net Assets of Governmental Activities \$3,907,266

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,798,100	\$1,768,643	\$1,768,643	\$0
Intergovernmental	10,038,636	10,627,272	10,627,272	0
Investment Earnings	532,188	396,643	396,643	0
Tuition and Fees	0	495	495	0
Miscellaneous	267,328	217,800	217,800	0
<i>Total Revenues</i>	12,636,252	13,010,853	13,010,853	0
Expenditures				
Current:				
Instruction:				
Regular	4,840,298	4,964,944	4,964,944	0
Special	1,308,766	1,571,714	1,571,714	0
Vocational	191,966	218,380	218,380	0
Support Services:				
Pupils	244,706	338,791	338,791	0
Instructional Staff	256,507	295,404	295,404	0
Board of Education	246,199	479,242	479,242	0
Administration	812,161	812,061	812,061	0
Fiscal	248,411	263,075	263,075	0
Operation and Maintenance of Plant	1,659,327	3,630,701	3,630,701	0
Pupil Transportation	883,839	969,833	969,833	0
Central	20,725	35,469	35,469	0
Extracurricular Activities	121,570	173,102	173,102	0
Capital Outlay	315,312	78,113	78,113	0
<i>Total Expenditures</i>	11,149,787	13,830,829	13,830,829	0
<i>Excess of Revenues Under Expenditures</i>	1,486,465	(819,976)	(819,976)	0
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	184,160	184,160	0
Refund of Prior Year Expenditures	0	265	265	0
Advances In	0	24,908	24,908	0
Other Financing Sources	400	9,056	9,056	0
Transfers Out	(220,094)	(220,094)	(220,094)	0
<i>Total Other Financing Sources (Uses)</i>	(219,694)	(1,705)	(1,705)	0
<i>Net Change in Fund Balance</i>	1,266,771	(821,681)	(821,681)	0
<i>Fund Balance at Beginning of Year</i>	6,472,196	6,472,196	6,472,196	0
Prior Year Encumbrances Appropriated	933,834	933,834	933,834	0
<i>Fund Balance at End of Year</i>	\$8,672,801	\$6,584,349	\$6,584,349	\$0

See accompanying notes to the basic financial statements

Rock Hill Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2003

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$33,915</u>
Liabilities	
Undistributed Monies	\$6,769
Due to Students	<u>27,146</u>
Total Liabilities	<u>\$33,915</u>

See accompanying notes to the basic financial statements

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

Rock Hill Local District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by state statute and federal guidelines. The School District serves an area of approximately 22 square miles and is located in Lawrence County. It is staffed by 87 classified employees and 142 certified full-time teaching and administrative personnel who provide services to 1,967 students and other community members. The School District currently operates eight instructional/support facilities.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Lawrence County Schools Insurance Purchasing Consortium, and the Ohio School Boards Association Workers=Compensation Group Rating Plan, which are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using two categories, governmental and fiduciary.

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

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

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

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

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

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

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

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

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 2003 amounted to \$396,643, which includes \$199,017 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include unexpended revenues restricted for retainage payable, the purchase of buses and amounts required by statute to be set-aside by the School District for the creation of a reserve for textbooks and budget stabilization. See Note 21 for additional information regarding set-asides.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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/expenses is reported in the fiscal year in which the services are consumed.

H. Inventory

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

I. Capital Assets

The School District’s only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The School District does not capitalize interest costs.

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

Description	Estimated Lives
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-15 years
Vehicles	5 years

J. Interfund Activity

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as long-term liabilities due within one year or due within more than one year.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Compensated Absences (Continued)

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

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid

from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Amounts owed to a particular fund, by another fund for goods or services rendered are classified as "Due from Other Funds/Due to Other Funds." These amounts are eliminated on the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

N. Fund Balance Reserves

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

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

O. Estimates

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

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Designation of Fund Balance

Designations represent tentative plans for future use of financial resources. The School District has a designation of fund balance on the balance sheet for money set aside for the potential payment of future health insurance premiums, and for monies that have been set-aside in excess of the statutory requirements for capital acquisitions, textbooks, and budget stabilization.

Q. Net Assets

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District did not have any extraordinary or special items in the current fiscal year.

S. Budgetary Process

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

The Certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 – Changes in Accounting Principle and Restatement of Fund Balance

Changes in Accounting Principle For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which presents information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District’s programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. This Statement had no effect on the presentation of the budgetary statements of the School District for fiscal year 2003.

Restatement of Fund Balance It was determined that the Food Service and Uniform School Supply Enterprise Funds should be reclassified as special revenue funds. This restatement and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Bond Retirement	Permanent Improvements	Classroom Facilities	Nonmajor	Total
Fund Balances,						
June 30, 2002	\$6,207,145	\$181,828	\$2,689,668	\$3,017,286	\$1,053,758	\$13,149,685
Fund Reclassification	0	0	0	0	68,431	68,431
Intergovernmental						
Payable Overstatement	0	0	0	0	3,100	3,100
Interpretation 6	13,628	0	0	0	27,643	41,271
Adjusted Fund Balances,						
June 30, 2002	<u>\$6,220,773</u>	<u>\$181,828</u>	<u>\$2,689,668</u>	<u>\$3,017,286</u>	<u>\$1,152,932</u>	13,262,487
GASB 34 Adjustments:						
Capital Assets						40,700,590
Pension Obligation						(107,673)
Long-Term Liabilities						(4,345,938)
Long-Term (Deferred) Assets						<u>310,403</u>
Governmental Activities						
Net Assets, June 30,2002						<u>\$49,819,869</u>

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 – Changes in Accounting Principle and Restatement of Fund Balance (Continued)

	<u>Business-Type Activities</u>
Fund Equity, June 20, 2002	\$68,431
Fund Reclassification	<u>(68,431)</u>
Adjusted Net Assets, June 30, 2002	<u><u>\$0</u></u>

Note 4 - Accountability

Fund Deficit

The following funds had deficit fund balances as of June 30, 2003:

	<u>Deficit</u>
Special Revenue Funds:	
Ohio Reads	\$2,967
Title VI-B, IDEA	21,119
Title I	93,670
Title VI-R, Rural	22,044

The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting (Continued)

Net Change in Fund Balance	
GAAP Basis	\$783,648
Revenue Accruals	(73,726)
Expenditure Accruals	708,182
Prepaid Items:	
Beginning of Year	38,025
End of Year	(155,146)
Advances	24,908
Encumbrances	<u>(2,147,572)</u>
Budget Basis	<u><u>(\$821,681)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$996,151 and the bank balance was \$1,158,083. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$1,058,083 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which 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.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (Continued)

Investment	Category 3	Carrying/ Fair Value
Repurchase Agreements	\$16,105,257	\$16,105,257

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$17,101,408	\$0
Repurchase Agreements	(16,105,257)	16,105,257
GASB Statement 3	\$996,151	\$16,105,257

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7 - Property Taxes (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$61,267 in the General Fund and \$1,373 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2002, was \$17,312 in the General Fund and \$391 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
Real Property	\$51,385,490	57.17%	\$52,288,230	58.02%
Public Utility Tangible Personal Property	33,404,500	37.16%	32,694,640	36.28%
Tangible Personal Property	5,095,680	5.67%	5,135,500	5.70%
Total	\$89,885,670	100.00%	\$90,118,370	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$25.00		 \$23.00	

Note 8 - Receivables

Receivables at June 30, 2003, consisted of property taxes, accounts (billings for user charged services, vendors commissions, and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Miscellaneous	\$65
 Special Revenue Funds:	
School Lunch and Breakfast Program	35,008
Auxiliary Funds	6,184
Title VI-B IDEA	27,387
Title I	197,212
Innovative Programs	4,809
Drug Free Schools	338
Title II-A	84,050
Total Special Revenue Funds	354,988
Total Intergovernmental Receivables	\$355,053

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 – Payment in Lieu of Taxes

As provided by State law, the School District has entered into an agreement with a property owner under which the School District has granted property tax abatements to that property owner. The property owner has agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owner would have paid if the taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes. The School District received \$3,800,000 of payments in lieu of taxes for fiscal year 2003. Based upon scheduled payments in this agreement, a receivable and deferred revenue has been recorded in the Permanent Improvements Capital Projects Fund.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. There is a \$250 deductible.

Professional liability is protected by the Nationwide Insurance Company with a \$3,000,000 single occurrence limit with no deductible. Fleet insurance is covered by The Nationwide Insurance Company and holds no deductible for comprehensive coverage and a \$50 deductible for collision coverage. Automobile liability has a \$1,000,000 combined single limit of liability.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers=Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers=compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers=compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement 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 17). 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 11 - Employee Benefits

A. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees in the amount of \$10,000 for non-certified employees and \$20,000 for certified employees.

Health insurance is provided by Medical Mutual Insurance. Premiums for this coverage are \$1,104.30 for family coverage and \$447.53 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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 11 - Employee Benefits (Continued)

B. Compensated Absences

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

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

Note 12 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 6/30/2002**	Additions	Deletions	Balance at 06/30/03
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$817,657	\$0	\$0	\$817,657
Construction in Progress	0	602,439	0	602,439
Total Capital Assets not being Depreciated	817,657	602,439	0	1,420,096
Depreciable Capital Assets:				
Land Improvements	8,072,642	26,372	0	8,099,014
Buildings and Improvements	35,068,793	3,223,231	1,692,053	36,599,971
Furniture, Fixtures, and Equipment	871,066	17,471	0	888,537
Vehicles	1,634,199	127,000	0	1,761,199
Total Depreciable Capital Assets	45,646,700	3,394,074	1,692,053	47,348,721
Less Accumulated Depreciation:				
Land Improvements	423,896	403,051	0	826,947
Buildings and Improvements	4,197,414	1,164,669	1,692,053	3,670,030
Furniture, Fixtures, and Equipment	165,946	102,915	0	268,861
Vehicles	976,511	184,835	0	1,161,346
Total Accumulated Depreciation	5,763,767	1,855,470 *	1,692,053	5,927,184
Total Capital Assets being Depreciated, Net	39,882,933	1,538,604	0	41,421,537
Capital Assets, Net	\$40,700,590	\$2,141,043	\$0	\$42,841,633

** Restated due to an increase in capitalization threshold and results of capital assets appraisal – See Note 3

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 12 – Capital Assets (Continued)

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,225,411
Vocational	835
Support Services:	
Instructional Staff	13,532
Board of Education	20,215
Administration	12,864
Pupil Transportation	345,320
Central	1,671
Food Service Operation	7,518
Extracurricular Activities	228,104
	<hr/>
Total Depreciation Expense	<u>\$1,855,470</u>

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$158,455, \$104,169, and \$48,386, respectively; 55.82 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

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

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 13 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001, were \$760,931, \$532,053, and \$315,622 respectively; 85.71 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$0 made by the School District and \$0 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 20, 2003, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 14 - 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Rock Hill Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 14 - Postemployment Benefits (Continued)

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 cost 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, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$58,533 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members' pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$132,709.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	Principal Outstanding 06/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Amounts Due in One Year
Governmental Activities:					
1999 4.97% School Construction					
General Obligation Bonds	\$3,535,000	\$0	\$105,000	\$3,430,000	\$110,000
Compensated Absences Payable	<u>798,966</u>	<u>73,439</u>	<u>59,323</u>	<u>813,082</u>	<u>208,745</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$4,333,966</u>	<u>\$73,439</u>	<u>\$164,323</u>	<u>\$4,243,082</u>	<u>\$318,745</u>

Rock Hill Local School District

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 15 - Long-Term Obligations (Continued)

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

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

Vacation and sick leave benefits will be paid from the General Fund and the Food Service, Ohio Reads, and Title I Special Revenue Funds.

The School District's overall legal debt margin was \$8,106,908, with an unvoted debt margin of \$90,118 at June 30, 2003. Principal and interest requirements to retire school facilities bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ended	Principal	Interest	Total
December 31,			
2004	\$110,000	\$164,498	\$274,498
2005	115,000	159,940	274,940
2006	115,000	155,168	270,168
2007	120,000	150,203	270,203
2008	125,000	144,965	269,965
2009 - 2013	720,000	634,427	1,354,427
2014 - 2018	925,000	441,288	1,366,288
2019 - 2023	1,200,000	159,450	1,359,450
	<u>\$3,430,000</u>	<u>\$2,009,939</u>	<u>\$5,439,939</u>

Note 16 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. The School District paid \$6,986 for services provided during fiscal year 2003. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Jointly Governed Organizations

B. Pilasco-Ross Special Education Regional Resource Center

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

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

Note 17 - Insurance Purchasing Pool

A. Ohio School Board's Workers' Compensation Group Rating Program

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

B. Lawrence County Schools Insurance Purchasing Consortium

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

Note 18 - Interfund Activity

Transfers made during fiscal year 2003 were as follows:

	Transfers- In	Transfers- Out
General Fund	\$0	\$220,094
Special Revenue Funds:		
Food Service	200,000	0
District Managed Activity	20,094	0
Total Special Revenue Funds	220,094	0
Total All Funds	\$220,094	\$220,094

At June 30, 2003, the Ohio Reads Special Revenue Fund owed the General Fund \$6,810, and the Title VI-B, IDEA Special Revenue Fund owed the General Fund \$31,886, both of which are reflected as Due from Other Funds in the General Fund as a Due to Other Funds in the Special Revenue Funds.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 19 - Contractual Commitments

As of June 30, 2003, the School District had contractual purchase commitments for the completion of construction of the new elementary, middle, and high schools, and a child development center and a sports complex are as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 06/30/03
Elementary School	Classroom Facilities			
	Capital Projects Fund	\$17,324,745	\$16,678,641	\$646,104
Middle School	Classroom Facilities	4,871,869	4,847,238	24,631
	Capital Projects Fund			
High School	Classroom Facilities	14,472,337	14,400,892	71,445
	Capital Projects Fund			
CDC	General	1,280,959	481,533	799,426
Sports Complex	General	2,081,436	2,055,936	25,500
Total		<u>\$40,031,346</u>	<u>\$38,464,240</u>	<u>\$1,567,106</u>

Note 20 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

Note 21 - Set-Aside Calculations

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

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 21 - Set-Aside Calculations (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of as of June 30, 2002	\$133,129	\$0	\$124,918
Current Year Set-Aside Requirement	283,809	283,809	0
Current Year Offsets	0	(41,732)	0
Qualifying Disbursements	<u>(262,549)</u>	<u>(380,424)</u>	<u>0</u>
Totals	<u>\$154,389</u>	<u>(\$138,347)</u>	<u>\$124,918</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$154,389</u>	<u>\$0</u>	<u>\$124,918</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$154,389</u>	<u>\$0</u>	<u>\$124,918</u>

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvement set-aside amounts below zero. The extra amounts in the capital improvements set-aside may be used to reduce the set-aside requirements of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$279,307.

Note 22 - State School Funding Decision

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

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

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

Rock Hill Local School District
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003

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	\$43,387	\$0	\$40,569
School Breakfast Program	05PU	10.553	101,268	0	101,268	0
National School Lunch	LLP4	10.555	224,410	0	224,410	0
Summer Food Service Program for Children	24PU	10.559	1,594	0	1,594	0
Total United States Department of Agriculture - Nutrition Cluster			327,272	43,387	327,272	40,569
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	C1S1	84.010	932,693	0	981,661	0
Special Education Grants to States	6BSF	84.027	193,481	0	196,004	0
Safe & Drug Free Schools and Communities	DRS1	84.186	23,908	0	14,388	0
Goals 2000	G2S1	84.276	0	0	8,656	0
Eisenhower Professional Development Grant	MSS1	84.281	1,858	0	3,143	0
Inovative Education Program Strategy	C2S1	84.298	20,460	0	13,656	0
Education Technology State Grants	TJS1	84.318	20,617	0	20,440	0
School Renovation, Idea & Technology Grant	ATS3	84.352a	9,324	0	3,424	0
Improving Teacher Quality State Grants	TRS1	84.367	139,284	0	137,510	0
Class Size Reduction	CRS1	84.340	42,336	0	21,502	0
Total United States Department of Education			1,383,961	0	1,400,384	0
Total Federal Financial Assistance			<u>\$1,711,233</u>	<u>\$43,387</u>	<u>\$1,727,656</u>	<u>\$40,569</u>

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

Rock Hill Local School District
June 30, 2003

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 School Districts 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, 2003, the School District had no significant food commodities in inventory.

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Ohio Society of Certified Public Accountants

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
2325A County Road 26
Ironton, Ohio 45638

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 23, 2004, in which we indicated the School District adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, 41 and Interpretation 6. 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 the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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.

Members of the Board

Rock Hill Local School District

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

January 23, 2004

BALESTRA, HARR & SCHERER, CPAs, Inc.

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

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

Compliance

We have audited the compliance of Rock Hill Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The 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 the School District's management. Our responsibility is to express an opinion on the 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 the 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 of the School District's compliance with those requirements.

In our opinion, the 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, 2003.

Internal Control Over Compliance

The management of the 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 the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Members of the Board

Rock Hill Local School District

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON 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, regulation, 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

January 23, 2004

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

**ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2003**

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):	CFDA # 84.010, Title I grants to LEAs
(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, 2003**

**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	

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Betty Montgomery**

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ROCK HILL LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 25, 2004**