

Rock Hill Local School District

Lawrence County

Single Audit

July 1, 2001 through June 30, 2002

Fiscal Year Audited Under GAGAS: 2002

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Rock Hill Local School District, Lawrence County, prepared by Balestra & Company, for the audit period July 1, 2001 to June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 16, 2002

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ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

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Independent Auditors=Report

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

We have audited the accompanying general purpose financial statements of the Rock Hill Local School District (The District), Lawrence County, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Rock Hill Local School District, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2002, on our consideration of the Rock Hill Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

balestra & Company
Balestra & Company

December 6, 2002

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,517,398	\$792,315	\$181,828	\$7,606,809
Receivables:				
Accounts	781	40	0	563
Property Taxes	1,795,715	42,494	0	0
Payment in Lieu of Taxes	0	0	3,700,000	5,935,000
Intergovernmental	7,133	479,228	0	0
Interfund	24,908	0	0	0
Due from Other Funds	837	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid Items	38,025	0	0	12,250
Restricted Assets:				
Cash and Cash Equivalents	888,957	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0	509,235
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$9,273,754</u>	<u>\$1,314,077</u>	<u>\$3,881,828</u>	<u>\$14,063,857</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$158,894	\$29,177	\$0	\$0	\$15,286,421
0	0	0	0	1,384
0	0	0	0	1,838,209
0	0	0	0	9,635,000
0	0	0	0	486,361
0	0	0	0	24,908
0	0	0	0	837
5,131	0	0	0	5,131
1,065	0	0	0	1,065
0	0	0	0	50,275
0	0	0	0	888,957
0	0	0	0	509,235
0	0	50,801,952	0	50,801,952
0	0	0	181,828	181,828
0	0	0	4,215,533	4,215,533
<u>\$165,090</u>	<u>\$29,177</u>	<u>\$50,801,952</u>	<u>\$4,397,361</u>	<u>\$83,927,096</u>

(Continued)

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$33,123	\$363	\$0	\$0
Contracts Payable	0	0	0	1,807,797
Accrued Wages and Benefits Payable	1,082,819	261,339	0	0
Compensated Absences Payable	13,628	0	0	0
Retainage Payable	0	0	0	509,235
Interfund Payable	0	24,908	0	0
Due to Other Funds	0	760	0	77
Intergovernmental Payable	158,636	33,283	0	0
Deferred Revenue	1,778,403	51,961	3,700,000	5,935,000
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,066,609	372,614	3,700,000	8,252,109
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	785,956	96,287	0	3,069,035
Reserved for Textbooks	133,129	0	0	0
Reserved for Budget Stabilization	124,918	0	0	0
Reserved for Property Taxes	17,312	391	0	0
Reserved for Bus Purchases	630,910	0	0	0
Unreserved:				
Designated	831,098	8,872	0	0
Undesignated	3,683,822	835,913	181,828	2,742,713
Total Fund Equity and Other Credits	6,207,145	941,463	181,828	5,811,748
Total Liabilities, Fund Equity and Other Credits	\$9,273,754	\$1,314,077	\$3,881,828	\$14,063,857

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$823	\$0	\$0	\$0	\$34,309
0	0	0	0	1,807,797
59,054	0	0	0	1,403,212
27,643	0	0	757,693	798,964
0	0	0	0	509,235
0	0	0	0	24,908
0	0	0	0	837
9,139	0	0	104,668	305,726
0	0	0	0	11,465,364
0	6,122	0	0	6,122
0	15,554	0	0	15,554
0	0	0	3,535,000	3,535,000
<u>96,659</u>	<u>21,676</u>	<u>0</u>	<u>4,397,361</u>	<u>19,907,028</u>
0	0	50,801,952	0	50,801,952
329,426	0	0	0	329,426
(260,995)	0	0	0	(260,995)
0	2,946	0	0	3,954,224
0	0	0	0	133,129
0	0	0	0	124,918
0	0	0	0	17,703
0	0	0	0	630,910
0	0	0	0	839,970
0	4,555	0	0	7,448,831
<u>68,431</u>	<u>7,501</u>	<u>50,801,952</u>	<u>0</u>	<u>64,020,068</u>
<u>\$165,090</u>	<u>\$29,177</u>	<u>\$50,801,952</u>	<u>\$4,397,361</u>	<u>\$83,927,096</u>

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expensible Trust
<u>Revenues:</u>						
Property Taxes	\$1,805,266	\$41,039	\$248,414	\$0	\$0	\$2,094,719
Intergovernmental	10,104,434	2,406,729	15,865	4,306,839	0	16,833,867
Interest	532,188	0	0	220,960	0	753,148
Tuition and Fees	239	0	0	0	0	239
Extracurricular Activities	0	124,244	0	0	18,502	142,746
Miscellaneous	261,473	0	0	563	0	262,036
Total Revenues	12,703,600	2,572,012	264,279	4,528,362	18,502	20,086,755
<u>Expenditures:</u>						
Current:						
Instruction						
Regular	3,988,650	1,245,273	0	0	17,172	5,251,095
Special	1,343,635	834,445	0	0	0	2,178,080
Vocational	201,450	0	0	0	0	201,450
Other	22,781	0	0	0	0	22,781
Support Services						
Pupils	251,095	0	0	0	0	251,095
Instructional Staff	272,939	110,095	0	0	0	383,034
Board of Education	187,719	0	0	0	0	187,719
Administration	839,431	1,246	0	0	0	840,677
Fiscal	233,077	1,340	5,935	0	0	240,352
Operation and Maintenance of Plant	1,371,528	24,868	0	0	0	1,396,396
Pupil Transportation	863,020	0	0	0	0	863,020
Central	20,725	7,589	0	0	0	28,314
Non-Instructional Services	0	376	0	0	0	376
Extracurricular Activities	144,605	70,214	0	0	0	214,819
Capital Outlay	133,534	0	0	17,420,188	0	17,553,722
Debt Service						
Principal Retirement	0	0	100,000	0	0	100,000
Interest and Fiscal Charges	0	0	172,693	0	0	172,693
Total Expenditures	9,874,189	2,295,446	278,628	17,420,188	17,172	29,885,623
Excess of Revenues Over (Under) Expenditures	2,829,411	276,566	(14,349)	(12,891,826)	1,330	(9,798,868)
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	0	18,463	0	545,294	0	563,757
Operating Transfers Out	(713,757)	0	0	0	0	(713,757)
Total Other Financing Sources (Uses)	(713,757)	18,463	0	545,294	0	(150,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,115,654	295,029	(14,349)	(12,346,532)	1,330	(9,948,868)
Fund Balance at Beginning of Year	4,091,491	646,434	196,177	18,158,280	6,171	23,098,553
Fund Balance at End of Year	\$6,207,145	\$941,463	\$181,828	\$5,811,748	\$7,501	\$13,149,685

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$1,798,100	\$1,798,100	\$0
Intergovernmental	10,104,434	10,104,434	0
Interest	532,188	532,188	0
Tuition and Fees	239	239	0
Extracurricular Activities	0	0	0
Miscellaneous	267,728	267,728	0
Total Revenues	12,702,689	12,702,689	0
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction</u>			
Regular	4,177,021	4,177,021	0
Special	1,340,632	1,340,632	0
Vocational	196,763	196,763	0
Other	32,322	32,322	0
<u>Support Services:</u>			
Pupils	246,961	246,961	0
Instructional Staff	261,458	261,458	0
Board of Education	246,199	246,199	0
Administration	831,640	831,640	0
Fiscal	248,702	248,702	0
Operation and Maintenance of Plant	1,660,747	1,660,747	0
Pupil Transportation	997,551	997,551	0
Central	20,725	20,725	0
Non-Instructional Services	0	0	0
Extracurricular Activities	119,835	119,835	0
Capital Outlay	315,312	315,312	0
<u>Debt Service</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	10,695,868	10,695,868	0
Excess of Revenues Over (Under) Expenditures	2,006,821	2,006,821	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Advances In	0	0	0
Operating Transfers Out	(713,757)	(713,757)	0
Advances Out	(24,908)	(24,908)	0
Total Other Financing Sources (Uses)	(738,665)	(738,665)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,268,156	1,268,156	0
Fund Balance at Beginning of Year	3,714,811	3,714,811	0
Prior Year Encumbrance Appropriated	1,489,229	1,489,229	0
Fund Balance at End of Year	\$6,472,196	\$6,472,196	\$0

(Continued)

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002
(Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$40,897	\$40,897	\$0
Intergovernmental	2,040,038	2,040,038	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	124,184	124,184	0
Miscellaneous	0	0	0
Total Revenues	2,205,119	2,205,119	0
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction</u>			
Regular	1,287,736	1,287,736	0
Special	789,456	789,456	0
Vocational	0	0	0
Other	0	0	0
<u>Support Services:</u>			
Pupils	16,584	16,584	0
Instructional Staff	108,028	108,028	0
Board of Education	0	0	0
Administration	1,246	1,246	0
Fiscal	1,340	1,340	0
Operation and Maintenance of Plant	59,119	59,119	0
Pupil Transportation	1,430	1,430	0
Central	7,589	7,589	0
Non-Instructional Services	376	376	0
Extracurricular Activities	72,029	72,029	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,344,933	2,344,933	0
Excess of Revenues Over (Under) Expenditures	(139,814)	(139,814)	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	18,463	18,463	0
Advances In	24,908	24,908	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	43,371	43,371	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(96,443)	(96,443)	0
Fund Balance at Beginning of Year	649,415	649,415	0
Prior Year Encumbrance Appropriated	142,675	142,675	0
Fund Balance at End of Year	\$695,647	\$695,647	\$0

(Continued)

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$250,297	\$250,297	\$0	\$0	\$0	\$0
15,865	15,865	0	4,340,237	4,340,237	0
0	0	0	220,960	220,960	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
266,162	266,162	0	4,561,197	4,561,197	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
5,935	5,935	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	23,028,829	23,028,829	0
100,000	100,000	0	0	0	0
172,693	172,693	0	0	0	0
278,628	278,628	0	23,028,829	23,028,829	0
(12,466)	(12,466)	0	(18,467,632)	(18,467,632)	0
0	0	0	545,294	545,294	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	545,294	545,294	0
(12,466)	(12,466)	0	(17,922,338)	(17,922,338)	0
194,294	194,294	0	2,862,679	2,862,679	0
0	0	0	18,298,870	18,298,870	0
\$181,828	\$181,828	\$0	\$3,239,211	\$3,239,211	\$0

(Continued)

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002
(Continued)

	Expendable Trust Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$0	\$0	\$0
Intergovernmental	0	0	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	18,502	18,502	0
Miscellaneous	0	0	0
Total Revenues	18,502	18,502	0
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction</u>			
Regular	20,137	20,137	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
<u>Support Services:</u>			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	20,137	20,137	0
Excess of Revenues Over (Under) Expenditures	(1,635)	(1,635)	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,635)	(1,635)	0
Fund Balance at Beginning of Year	2,693	2,693	0
Prior Year Encumbrance Appropriated	3,478	3,478	0
Fund Balance at End of Year	\$4,536	\$4,536	\$0

(Continued)

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,089,294	\$2,089,294	\$0
16,500,574	16,500,574	0
753,148	753,148	0
239	239	0
142,686	142,686	0
267,728	267,728	0
19,753,669	19,753,669	0
5,484,894	5,484,894	0
2,130,088	2,130,088	0
196,763	196,763	0
32,322	32,322	0
263,545	263,545	0
369,486	369,486	0
246,199	246,199	0
832,886	832,886	0
255,977	255,977	0
1,719,866	1,719,866	0
998,981	998,981	0
28,314	28,314	0
376	376	0
191,864	191,864	0
23,344,141	23,344,141	0
100,000	100,000	0
172,693	172,693	0
36,368,395	36,368,395	0
(16,614,726)	(16,614,726)	0
563,757	563,757	0
24,908	24,908	0
(713,757)	(713,757)	0
(24,908)	(24,908)	0
(150,000)	(150,000)	0
(16,764,726)	(16,764,726)	0
7,423,892	7,423,892	0
19,934,252	19,934,252	0
\$10,593,418	\$10,593,418	\$0

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type
	Enterprise
<u>Operating Revenues:</u>	
Sales	\$150,851
Total Operating Revenues	150,851
<u>Operating Expenses:</u>	
Salaries	309,868
Fringe Benefits	115,609
Purchased Services	22,087
Materials and Supplies	23,762
Cost of Sales	273,292
Total Operating Expenses	744,618
Operating Loss	(593,767)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	40,194
Federal and State Subsidies	387,041
Total Non-Operating Revenues	427,235
Net Loss Before Operating Transfers	(166,532)
Operating Transfers In	150,000
Net Loss	(16,532)
Retained Earnings (Deficit) at Beginning of Year	(244,463)
Retained Earnings (Deficit) at End of Year	(260,995)
Contributed Capital at Beginning and End of Year	329,426
Total Fund Equity at End of Year	\$68,431

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$150,851	\$150,851	\$0
Federal and State Subsidies	387,041	387,041	0
Total Revenues	537,892	537,892	0
<u>Expenses:</u>			
Salaries	264,906	264,906	0
Fringe Benefits	150,374	150,374	0
Purchased Services	25,669	25,669	0
Materials and Supplies	258,835	258,835	0
Total Operating Expenses	699,784	699,784	0
Excess of Revenues Under Expenses	(161,892)	(161,892)	0
Transfers In	150,000	150,000	0
Excess of Revenues Under Expenses and Transfers	(11,892)	(11,892)	0
Fund Equity at Beginning of Year	160,621	160,621	0
Prior Year Encumbrances Appropriated	7,313	7,313	0
Fund Equity at End of Year	\$156,042	\$156,042	\$0

See accompanying notes to the general purpose financial statements

ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type
	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$150,851
Cash Payments to Suppliers for Goods and Services	(281,649)
Cash Payments for Employee Services and Benefits	(415,280)
Net Cash Used for Operating Activities	(546,078)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	387,041
Operating Transfers In	150,000
Net Cash Provided by Noncapital Financing Activities	537,041
Net Decrease in Cash and Cash Equivalents	(9,037)
Cash and Cash Equivalents at Beginning of Year	167,931
Cash and Cash Equivalents at End of Year	\$158,894
Reconciliation of Operating Loss to <u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$593,767)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Donated Commodities Used During Year	37,115
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	577
Increase in Materials and Supplies Inventory	(59)
Increase in Accounts Payable	113
Increase in Accrued Wages and Benefits Payable	7,780
Increase in Compensated Absences	4,054
Decrease in Intergovernmental Payable	(1,891)
Total Adjustments	10,574
Net Cash Used for Operating Activities	(\$546,078)
<u>Noncash noncapital financing activities:</u>	
Rock Hill Local School District received \$37,897 in federal donated commodities	

See accompanying notes to the general purpose financial statements

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 87 non-certificated employees, 135 certificated full time teaching personnel and 7 administrators who provide services to 1,948 students and other community members.

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

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

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

These organizations are:

Jointly Governed Organizations:

South Central Ohio Computer Association
Pilasco-Ross Special Education Regional Resource Center

Insurance Purchasing Entity Risk Pools:

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of Rock Hill Local School District have been prepared in conformity with 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

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

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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 5.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Data

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

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (Continued)

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002. Prior to June 30, the Board requested and received an amended certificate in which estimated revenues equaled actual revenue.

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

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

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

D. Cash and Investments

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

The School District has no investments.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Cash and Investments (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$532,188, which includes \$228,020 assigned from other School District funds.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Interfund Transactions

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

K. Fund Balance Reserves

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

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.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Contributed Capital

Contributed capital is recorded in proprietary funds that have received contributions from other funds, other governments and private sources prior to fiscal year 2002. When capital contributions are received from other governments and private sources, the receipt will be recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions." Contributions from other funds will continue to be reflected as contributed capital.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials and for budget stabilization. See Note 18 for additional information regarding set asides. Also, during the fiscal year 2002 the District held monies for construction of new school buildings. Retainage amounts at June 30, 2002 have been restricted and are presented as "Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

N. Designation of Fund Balance

The School District has a fund balance designation on the balance sheet of \$40,110 in the general fund and \$8,872 in special revenue funds for money set aside by the Board of Education for the potential payment of future health insurance premiums. The School District also has general fund balance designations of \$317,587 for capital acquisition, \$128,765 for textbooks and \$344,636 for budget stabilization.

O. Estimates

The preparation of 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.

P. Total Columns on General Purpose Financial Statements

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

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 3 - Budgetary Basis of Accounting (Continued)

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

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

Excess of Revenues and Other Financing Sources
Over(Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$2,115,654	\$295,029	(\$14,349)	(\$12,346,532)	\$1,330
Revenue Accruals	(577)	(366,873)	1,883	32,835	0
Unrecorded Cash	(334)	(20)	0	0	0
Advances In	0	24,908	0	0	0
Expenditure Accruals	150,171	47,161	0	(719,558)	0
Prepaid Items	(38,025)	0	0	(12,250)	0
Encumbrances	(933,825)	(96,648)	0	(4,876,833)	(2,965)
Advances Out	(24,908)	0	0	0	0
Budget Basis	\$1,268,156	(\$96,443)	(\$12,466)	(\$17,922,338)	(\$1,635)

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

	Enterprise
GAAP Basis	(\$16,532)
Revenue Accruals	(40,194)
Expense Accruals	47,686
Encumbrances	(2,852)
Budget Basis	(\$11,892)

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 4 - Deposits and Investments

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 accounts, including passbook accounts.

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

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

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 4 - Deposits and Investments (Continued)

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 to maturity.

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

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

Deposits At year end, the carrying amount of the School District's deposits was \$16,684,613 and the bank balance was \$17,153,205. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$17,053,205 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 5 - Property Taxes (Continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$50,654,460	59%	\$51,385,490	57%
Public Utility Personal	19,926,390	23%	33,404,500	37%
Tangible Personal Property	<u>15,602,170</u>	<u>18%</u>	<u>5,095,680</u>	<u>6%</u>
Total	<u>\$86,183,020</u>	<u>100%</u>	<u>\$89,885,670</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$25.00		\$25.00	

The School District receives property taxes from Lawrence County. The Lawrence County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2002 was \$17,312 in the General Fund and \$391 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2001 was \$10,146 in the General Fund, \$1,883 in the Debt Service Fund and \$249 to the Classroom Facilities Special Revenue Fund.

Note 6 - Receivables

Receivables at June 30, 2002, consisted of taxes, due from other funds and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 6 – Receivables (Continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Miscellaneous Reimbursements	\$7,133
Special Revenue Funds:	
Eisenhower	1,855
Title I	376,934
Title VI	11,001
Drug Free Schools	6,415
Title VI-R	<u>83,023</u>
Total Special Revenue Funds	<u>479,228</u>
Total Intergovernmental Receivables	<u><u>\$486,361</u></u>

Note 7 – 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 generally continue until the agreement expires. The School District did not receive any payments in lieu of taxes for fiscal year 2002. Based upon scheduled payments in this agreement, a receivable and a deferred revenue have been recorded in the Debt Service and the Permanent Improvement Capital Projects Fund.

Note 8 - Fixed Assets

A summary of the enterprise funds fixed assets at June 30, 2002, follows:

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

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	<u>Balance</u>	<u> </u>	<u> </u>	<u>Balance</u>
	<u>6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/02</u>
Land and Improvements	\$1,580,782	\$0	\$0	\$1,580,782
Buidings	4,927,316	0	0	4,927,316
Vehicles	1,320,170	103,482	0	1,423,652
Furniture and Equipment	2,811,477	215,212	0	3,026,689
Textbooks	766,020	0	0	766,020
Construction in Progress	<u>19,032,010</u>	<u>20,045,483</u>	<u>0</u>	<u>39,077,493</u>
Total General Fixed Assets	<u><u>\$30,437,775</u></u>	<u><u>\$20,364,177</u></u>	<u><u>\$0</u></u>	<u><u>\$50,801,952</u></u>

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2002, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$250 deductible.

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers=Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers=compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers=compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participants individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the Æquity Pooling Fund.@ This Æquity pooling@arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$532,053, \$315,622 and \$240,633, respectively; 85 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$79,610 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 10 - Defined Benefit Pension Plans (Continued)

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS-Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$104,169, \$48,386 and \$76,638, respectively; 49 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$53,067, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$252,025 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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 of the premium.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 11 - Postemployment Benefits (Continued)

After the allocation for basic benefits, the remainder of the employers 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for 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 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$177,701.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

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

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

B. Insurance Benefits

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

Health insurance is provided by Medical Benefits Mutual Life Insurance Company. Premiums for this coverage are \$986.88 for family coverage and \$399.94 for single coverage. The School District pays 85 percent of these premiums for certified employees and 95 percent for non-certified employees.

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/2001	Additions	Deductions	Principal Outstanding 6/30/2002
General Obligation Bonds 1999 - 4.97%	\$3,635,000	\$0	\$100,000	\$3,535,000
Compensated Absences	748,210	108,445	98,962	757,693
Pension Obligation	94,209	104,668	94,209	104,668
Total General Long-term Obligations	<u>\$4,477,419</u>	<u>\$213,113</u>	<u>\$293,171</u>	<u>\$4,397,361</u>

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 13 - Long-Term Obligations (Continued)

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

The School District's overall legal debt margin was \$8,271,538 with an unvoted debt margin of \$3,624,886 at June 30, 2002. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$105,000	\$168,745	\$273,745
2004	\$110,000	\$164,794	\$274,794
2005	\$115,000	\$159,940	\$274,940
2006	\$115,000	\$155,167	\$270,167
2007	\$120,000	\$150,202	\$270,202
2008-2012	\$690,000	\$665,434	\$1,355,434
2013-2017	\$880,000	\$488,148	\$1,368,148
2018-2022	\$1,125,000	\$219,675	\$1,344,675
2023	<u>\$275,000</u>	<u>\$6,875</u>	<u>\$281,875</u>
Total	<u>\$3,535,000</u>	<u>\$2,178,980</u>	<u>\$5,713,980</u>

Note 14 - Interfund Activity

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable	Due From Other Funds	Due To Other Funds
General Fund	\$24,908	\$0	\$837	\$0
Special Revenue Funds:				
Title VI	0	4,074	0	0
Title VI-R	0	20,834	0	0
Miscellaneous Federal Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>760</u>
Total Special Revenue Funds	<u>0</u>	<u>24,908</u>	<u>0</u>	<u>760</u>
Capital Project Fund:				
Classroom Facilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>77</u>
Total All Funds	<u>\$24,908</u>	<u>\$24,908</u>	<u>\$837</u>	<u>\$837</u>

Note 15 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 15 - Segment Information for Enterprise Funds (Continued)

	Food <u>Service</u>	Uniform <u>School Supplies</u>	Total <u>Enterprise Funds</u>
Operating Revenues	\$148,293	\$2,558	\$150,851
Operating Income (Loss)	(596,325)	2,558	(593,767)
Donated Commodities	40,194	0	40,194
Operating Grants	387,041	0	387,041
Operating Transfers In	150,000	0	150,000
Net Income (Loss)	(19,090)	2,558	(16,532)
Net Working Capital	89,962	6,412	96,374
Total Assets	158,678	6,412	165,090
Long-Term Compensated Absences Payable	27,643	0	27,643
Total Equity (Deficit)	62,019	6,412	68,431
Encumbrances, June 30, 2002	2,852	0	2,852

Note 16 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

South Central Ohio Computer Association (SCOCA) - SCOCA is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. The School District paid \$3,896 for services provided during fiscal year 2002. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Pilasco-Ross Special Education Regional Resource Center – The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. 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 nonpublic 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 for the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Steve Sites, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

B. Insurance Purchasing Pools

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

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

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 17 - School Funding Court Decision

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

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

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

Note 18 - Set - Aside Calculations and Fund Reserves

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

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

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

	Budget		Capital
	<u>Stabilization</u>	<u>Textbooks</u>	<u>Acquisition</u>
Set-aside Reserve Balance as of June 30, 2001	\$124,918	\$88,065	\$0
Current Year Set-aside Requirement	0	248,853	248,853
Current Year Offsets and Prior Year Carry Over	0	0	(17,382,464)
Qualifying Disbursements	0	(203,789)	(19,738,636)
Totals	<u>\$124,918</u>	<u>\$133,129</u>	<u>(\$36,872,247)</u>
Set-aside Balance Carried Forward to			
Future Fiscal Years	<u>\$124,918</u>	<u>\$133,129</u>	<u>(\$36,872,247)</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$124,918</u>	<u>\$133,129</u>	<u>\$0</u>

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

The School District has qualifying disbursements during the fiscal year that reduced the capital improvement set-aside amount below zero. The extra amount in the capital improvements set-aside may be used to reduce the set-aside requirements of future years. The School District designated \$128,765 for textbooks, \$317,587 for capital acquisition and \$344,636 for budget stabilization. The total reserve balance for budget stabilization and textbook set-asides at the end of the fiscal year was \$258,047.

Note 19 – Contractual Commitments

The School District has entered into contracts for the design and construction of new buildings and renovations to existing buildings in the School District. Outstanding construction commitments at June 30, 2002, in the Classroom Facilities Capital Projects Fund are as follows:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Expenditures</u>	<u>Contract Remaining</u>
BTI	\$1,341,108	\$1,085,171	\$255,937
Earthco	300,486	292,933	7,553
Earthco	341,518	262,796	78,722
RWS Building Services	15,608,311	14,505,979	1,102,332
Bushong	512,884	467,158	45,726
David Darnold & Co.	3,894,828	3,766,522	128,306
Glennco	1,412,228	1,374,634	37,594
Central Fire Services	402,197	350,052	52,145
James Electric	3,076,736	2,945,895	130,841
Avaya	675,000	292,962	382,038
Gilbane Construction	1,601,512	1,592,872	8,640
RWS Building Services	1,458,000	1,318,375	139,625
Glennco	145,329	141,795	3,534
Central Fire Services	139,787	130,354	9,433
Gilbane Construction	214,994	0	214,994
Triad Architects	2,108,777	2,046,512	62,265
A. J. Stockmeister	1,893,585	1,482,819	410,766
Mechanical Construction	1,495,000	1,425,061	69,939
James Electric	857,766	842,436	15,330

Note 20 – Subsequent Events

In October of 2002 the District received a payment in lieu of taxes per agreement with a local property owner (discussed in Note 7) in the amount of \$3,700,000. The District intends to use this money to defease its general obligation bonds.

Rock Hill Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

Rock Hill Local School District
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

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 Donation	NA	10.550		\$37,897		\$37,115
School Breakfast Program	05PU	10.553	\$121,691		\$121,691	
National School Lunch Program	LLP4	10.555	232,041		232,041	
Summer Food Service Program for Children	24PU	10.559	1,426		1,426	
Total United States Department of Agriculture - Nutrition Cluster			355,158	37,897	355,158	37,115
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	601,626		639,102	
Special Education Grants to States	6BSF	84.027	162,550		213,684	
Safe and Drug Free Schools and Communities	DRS1	84.186	1,810		4,893	
Goals 2000	G2S1	84.276	0		34,711	
Eisenhower Professional Development Grant	MSS1	84.281	18,058		27,496	
Inovative Education Program Strategy	C2S1	84.298	4,494		12,978	
Class Size Reduction	CRS1	84.340	98,266		141,844	
Total United States Department of Education			886,804	0	1,074,708	0
Total Federal Financial Assistance			\$1,241,962	\$37,897	\$1,429,866	\$37,115

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

**ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2002**

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 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, 2002, the District had no significant food commodities in inventory.

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

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

We have audited the financial statements of the Rock Hill Local School District, Lawrence County, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Balestra & Company
Balestra & Company

December 6, 2002

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

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

Compliance

We have audited the compliance of the Rock Hill Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. Rock Hill Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Rock Hill Local School District's management. Our responsibility is to express an opinion on Rock Hill Local School District's compliance based on our audit.

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

In our opinion, Rock Hill Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

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

Balestra & Company
Balestra & Company

December 6, 2002

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

**ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2002**

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):	Title I CFDA #84.010
(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, 2002**

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

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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ROCK HILL LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2002**