

Rock Hill Local School District
Lawrence County, Ohio

Single Audit

July 1, 2008, through June 31, 2009
Fiscal Years Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Rock Hill Local School District, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 24, 2010

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Rock Hill Local School District
Lawrence County
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District, (the School District), Lawrence County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

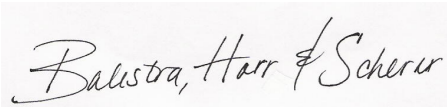
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District, Lawrence County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board
Rock Hill Local School District
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is 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 basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Balestra, Harr & Scherer, CPAs, Inc.

March 19, 2010

Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2009

Unaudited

The discussion and analysis of the Rock Hill Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities decreased \$3,655,987.
- General revenues accounted for \$15,230,480 in revenue or 76.3 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,728,523 or 22.7 percent of total revenues of \$19,959,043.
- Total assets of governmental activities decreased \$3,753,526. This is primarily due to a decrease in cash and cash equivalents in the amount of \$1,073,490 and a decrease in capital assets in the amount of \$1,553,361. Additionally, amounts due from other governments and revenue in lieu of taxes receivable decreased \$477,890 and \$573,500, respectively.

USING THE BASIC FINANCIAL STATEMENTS

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2009

Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2009

Unaudited

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$13,202,773	\$15,402,938	(\$2,200,165)
Capital Assets	38,561,969	40,115,330	(1,553,361)
Total Assets	51,764,742	55,518,268	(3,753,526)
Liabilities			
Long-Term Liabilities	1,092,468	1,069,558	22,910
Other Liabilities	3,629,195	3,749,644	(120,449)
Total Liabilities	4,721,663	4,819,202	(97,539)
Net Assets			
Invested in Capital Assets	38,561,969	40,115,330	(1,553,361)
Restricted	7,518,277	9,105,888	(1,587,611)
Unrestricted	962,833	1,477,848	(515,015)
Total Net Assets	\$47,043,079	\$50,699,066	(\$3,655,987)

Total assets of governmental activities decreased \$3,753,526. This is primarily due to decreases in revenue in lieu of taxes receivable, cash and cash equivalents, amounts receivable from other governments, and the depreciation of capital assets in an amount greater than the addition of capital assets. The decrease in cash of \$1,073,490 is primarily the result of the construction of the softball field and the elementary playground combined with decreased property tax and interest receipts. Property tax decreases of \$208,485 are the result of falling property tax values and increased delinquencies. Interest revenue decreases of \$95,100 are the result of decreases in the interest rates the School District earns on its investments.

Total liabilities of governmental activities decreased \$97,539. This is attributable to relatively small decreases in accounts payable, accrued wages and benefits payable.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, and comparisons to fiscal year 2008.

Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2009

Unaudited

	Governmental Activities		
	2009	2008	Change
Revenues			
Program Revenues:			
Charges for Services	\$ 1,086,903	\$ 1,176,403	\$ (89,500)
Operating Grants, Contributions and Interest	3,590,553	3,670,299	(79,746)
Capital Grants, Contributions and Interest	51,107	33,788	17,319
	4,728,563	4,880,490	(151,927)
General Revenues:			
Property Taxes	2,030,850	2,239,335	(208,485)
Grants and Entitlements	12,898,917	12,880,310	18,607
Investment Earnings	79,819	174,919	(95,100)
Miscellaneous	220,894	112,571	108,323
Gain on Sale of Capital Assets	0	5,500	(5,500)
	15,230,480	15,412,635	(182,155)
Total Revenues	19,959,043	20,293,125	(334,082)
Program Expenses			
Instruction:			
Regular	10,251,825	9,758,479	(493,346)
Special	3,162,075	3,032,615	(129,460)
Vocational	334,442	257,332	(77,110)
Student Intervention Services	1,620	0	(1,620)
Support Services:			
Pupils	521,740	500,070	(21,670)
Instructional Staff	740,459	692,759	(47,700)
Board of Education	200,768	199,270	(1,498)
Administration	1,482,244	1,449,476	(32,768)
Fiscal	364,759	358,562	(6,197)
Operation and Maintenance of Plant	3,038,395	3,105,046	66,651
Pupil Transportation	1,434,119	1,454,584	20,465
Central	91,286	60,480	(30,806)
Operation of Non-Instructional Services:			
Food Service Operations	1,318,788	1,400,812	82,024
Community Services	114,699	0	(114,699)
Extracurricular Activities	557,811	552,000	(5,811)
Total Expenses	23,615,030	22,821,485	(793,545)
Increase (Decrease) in Net Assets	(3,655,987)	(2,528,360)	(1,127,627)
Net Assets at Beginning of Year	50,699,066	53,227,426	(2,528,360)
Net Assets at End of Year	\$47,043,079	\$50,699,066	(\$3,655,987)

Governmental Activities

Property taxes made up approximately 10.2 percent of revenues for governmental activities for the Rock Hill Local School District. Of the remaining revenues, the School District receives 82.9 percent from state foundation, federal, and state grants; 5.4 percent from charges for services; and 1.5 percent from interest and local entities.

Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2009

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable decrease in the School District's taxable value accompanied by the relatively small decrease in tax revenue. Property taxes made up just 10.2 percent of revenues for governmental activities for Rock Hill Local School District in 2009. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Over 58.2 percent of the School District's budget is used to fund instructional expenses. Support services make up 33.4 percent of expenses and 8.4 percent is used for extracurricular activities and non-instructional services.

During the fiscal year, the School District experienced changes in the following: an 8.9 percent increase in employee insurance costs, a negotiated 3.5 percent salary increase, and increases in utility and fuel costs.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	2009 Total Cost of Services	2009 Net Cost of Services	2008 Total Cost of Services	2008 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$10,251,825	\$8,171,714	\$9,758,479	\$7,706,397
Special	3,162,075	1,943,711	3,032,615	1,647,459
Vocational	334,442	183,638	257,332	159,516
Student Intervention Services	1,620	1,620	0	0
Support Services:				
Pupils	521,740	499,596	500,070	467,109
Instructional Staff	740,459	462,971	692,759	368,067
Board of Education	200,768	200,768	199,270	197,887
Administration	1,482,244	1,474,098	1,449,476	1,449,434
Fiscal	364,759	363,662	358,562	274,385
Operation and Maintenance of Plant	3,038,395	3,016,684	3,105,046	3,073,146
Pupil Transportation	1,434,119	1,344,375	1,454,584	1,377,022
Central	91,286	85,937	60,480	53,988
Operation of Non-Instructional Services:				
Food Service Operations	1,318,788	523,374	1,400,812	679,680
Community Services	114,699	108,139	0	0
Extracurricular Activities	557,811	506,180	552,000	486,905
Totals	\$23,615,030	\$18,886,467	\$22,821,485	\$17,940,995

Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2009

Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 80 percent of total expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,043,529 and expenditures of \$22,038,759.

General Fund Budgeting Highlights

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

During the course of fiscal 2009, the School District did amend its general fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$15,907,768, which represented a decrease of \$70,717, or .4 percent from original estimates of \$15,837,051. This difference was due to over estimating in regard to the School District's revenues from property taxes and the American Recovery and Reinvestment Act. The final budget basis expenditure estimate of \$17,452,151 represented a \$1,274,830, or 7.8 percent increase from the original estimates of \$16,177,321.

The School District's ending unobligated general fund balance was \$2,998,652.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, the School District had \$38,561,969 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2009 balances compared to 2008.

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$817,657	\$817,657
Construction in Progress	432,240	1,566,985
Land Improvements	8,167,055	7,235,062
Buildings and Improvements	27,778,158	29,052,824
Furniture, Fixtures, and Equipment	724,747	677,390
Vehicles	642,112	765,412
Totals	<u>\$38,561,969</u>	<u>\$40,115,330</u>

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

Rock Hill Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2009

Unaudited

Debt

At June 30, 2009, the School District had no debt outstanding. For additional information on long-term obligations, see Note 14 to the basic financial statements.

CURRENT ISSUES

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

Externally, the School District is largely dependent on State funding sources (approximately 86 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District continues to see a slight increase in student enrollment and while State revenue growth has shifted toward school districts with low property tax wealth, the declining property values and increases in delinquent taxes has served to somewhat offset any increase in State funding.

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

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Rock Hill Local School District, Ohio
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,393,741
Materials and Supplies Inventory	12,051
Intergovernmental Receivable	151,035
Revenue in Lieu of Taxes Receivable	2,867,500
Accounts Receivable	2,866
Property Taxes Receivable	1,775,580
Nondepreciable Capital Assets	1,249,897
Depreciable Capital Assets, Net	37,312,072
<i>Total Assets</i>	51,764,742
Liabilities	
Accounts Payable	109,040
Accrued Wages and Benefits Payable	1,676,258
Contracts Payable	51,311
Intergovernmental Payable	511,301
Matured Compensated Absences Payable	66,289
Retainage Payable	16,453
Deferred Revenue	1,198,543
Long-Term Liabilities:	
Due within One Year	27,547
Due in More than One Year	1,064,921
<i>Total Liabilities</i>	4,721,663
Net Assets	
Invested in Capital Assets	38,561,969
Restricted for:	
Bus Purchases	314,620
Budget Stabilization	124,918
Debt Service	1,950
Capital Projects	6,393,860
Other Purposes	682,929
Unrestricted	962,833
<i>Total Net Assets</i>	\$47,043,079

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 10,251,825	\$ 955,059	\$ 1,125,052	\$ -	\$ (8,171,714)
Special	3,162,075	-	1,218,364	-	(1,943,711)
Vocational	334,442	-	150,804	-	(183,638)
Student Intervention Services	1,620	-	-	-	(1,620)
Support Services:					
Pupils	521,740	-	22,144	-	(499,596)
Instructional Staff	740,459	-	277,488	-	(462,971)
Board of Education	200,768	-	-	-	(200,768)
Administration	1,482,244	-	8,146	-	(1,474,098)
Fiscal	364,759	-	250	847	(363,662)
Operation and Maintenance of Plant	3,038,395	-	15,796	5,915	(3,016,684)
Pupil Transportation	1,434,119	-	45,399	44,345	(1,344,375)
Central	91,286	-	5,349	-	(85,937)
Operation of Non-Instructional Services:					
Food Service Operations	1,318,788	80,213	715,201	-	(523,374)
Community Services	114,699	-	6,560	-	(108,139)
Extracurricular Activities	557,811	51,631	-	-	(506,180)
Totals	\$ 23,615,030	\$ 1,086,903	\$ 3,590,553	\$ 51,107	(18,886,467)
General Revenues					
Property Taxes Levied for:					
General Purposes					1,994,369
Other Purposes					36,481
Grants and Entitlements not Restricted to Specific Programs					12,898,917
Investment Earnings					79,819
Miscellaneous					220,894
Total General Revenues					15,230,480
Change in Net Assets					(3,655,987)
Net Assets at Beginning of Year					50,699,066
Net Assets at End of Year					\$ 47,043,079

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2009*

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,176,460	\$ 3,505,365	\$ 1,272,378	\$ 7,954,203
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	439,538	-	-	439,538
Receivables:				
Property Taxes	1,743,474	-	32,106	1,775,580
Revenue in Lieu of Taxes	-	2,867,500	-	2,867,500
Accounts	2,816	-	50	2,866
Intergovernmental	4,000	-	147,035	151,035
Interfund	111,374	-	-	111,374
Materials and Supplies Inventory	-	-	12,051	12,051
Total Assets	\$ 5,477,662	\$ 6,372,865	\$ 1,463,620	\$ 13,314,147
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 93,988	\$ -	\$ 15,052	\$ 109,040
Accrued Wages and Benefits Payable	1,302,071	-	374,187	1,676,258
Contracts Payable	36,311	15,000	-	51,311
Intergovernmental Payable	431,351	-	79,950	511,301
Matured Compensated Absences Payable	36,849	-	29,440	66,289
Retainage Payable	-	16,453	-	16,453
Interfund Payable	-	-	111,374	111,374
Deferred Revenue	1,482,900	2,867,500	33,050	4,383,450
Total Liabilities	3,383,470	2,898,953	643,053	6,925,476
Fund Balances				
Reserved for Encumbrances	428,000	32,977	157,275	618,252
Reserved for Budget Stabilization	124,918	-	-	124,918
Reserved for Bus Purchases	314,620	-	-	314,620
Reserved for Property Taxes	260,574	-	4,632	265,206
Unreserved, Undesignated, Reported in:				
General Fund	966,080	-	-	966,080
Special Revenue Funds	-	-	604,262	604,262
Debt Service Fund	-	-	1,950	1,950
Capital Projects Funds	-	3,440,935	52,448	3,493,383
Total Fund Balances	2,094,192	3,473,912	820,567	6,388,671
Total Liabilities and Fund Balances	\$ 5,477,662	\$ 6,372,865	\$ 1,463,620	\$ 13,314,147

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2009*

Total Governmental Fund Balances		\$ 6,388,671
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not financial resources are not reported in the funds.		38,561,969
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	311,831	
Revenue in Lieu of Taxes	2,867,500	
Grants	5,576	3,184,907
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(1,092,468)
Net Assets of Governmental Activities		<u><u>\$ 47,043,079</u></u>

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 1,952,066	\$ -	\$ 35,708	\$ 1,987,774
Intergovernmental	12,892,928	-	4,194,949	17,087,877
Investment Earnings	79,819	5,915	847	86,581
Tuition and Fees	898,946	-	1,376	900,322
Charges for Services	-	-	80,213	80,213
Extracurricular Activities	-	-	106,368	106,368
Revenue in Lieu of Taxes	-	573,500	-	573,500
Miscellaneous	219,644	-	1,250	220,894
Total Revenues	16,043,403	579,415	4,420,711	21,043,529
Expenditures				
Current:				
Instruction:				
Regular	7,041,655	-	2,500,032	9,541,687
Special	2,343,567	-	537,615	2,881,182
Vocational	307,712	-	-	307,712
Student Intervention Services	1,620	-	-	1,620
Support Services:				
Pupils	439,998	-	31,136	471,134
Instructional Staff	355,447	-	343,790	699,237
Board of Education	225,431	-	1,500	226,931
Administration	1,360,189	-	10,868	1,371,057
Fiscal	344,935	-	1,329	346,264
Operation and Maintenance of Plant	2,904,981	305,321	32,805	3,243,107
Pupil Transportation	1,160,883	-	795	1,161,678
Central	85,937	-	5,349	91,286
Operation of Non-Instructional Services:				
Food Service Operations	-	-	1,318,679	1,318,679
Community Services	-	-	7,027	7,027
Extracurricular Activities	242,487	-	78,689	321,176
Capital Outlay	-	48,982	-	48,982
Total Expenditures	16,814,842	354,303	4,869,614	22,038,759
Excess of Revenues Under Expenditures	(771,439)	225,112	(448,903)	(995,230)
Other Financing Sources (Uses)				
Transfers In	493,290	-	107,000	600,290
Transfers Out	(107,000)	(493,290)	-	(600,290)
Total Other Financing Sources (Uses)	386,290	(493,290)	107,000	-
Net Change in Fund Balance	(385,149)	(268,178)	(341,903)	(995,230)
Fund Balances at Beginning of Year	2,479,341	3,742,090	1,162,470	7,383,901
Fund Balances at End of Year	\$ 2,094,192	\$ 3,473,912	\$ 820,567	\$ 6,388,671

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds \$ (995,230)

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

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

Capital Asset Additions	491,736	
Depreciation Expense	<u>(2,045,097)</u>	(1,553,361)

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

Grants	(554,062)	
Delinquent Taxes	43,076	
Revenue in Lieu of Taxes	<u>(573,500)</u>	(1,084,486)

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(22,910)

Change in Net Assets of Governmental Activities

\$ (3,655,987)

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 2,011,929	\$ 1,885,300	\$ 1,885,300	\$ -
Intergovernmental	13,352,193	12,907,242	12,907,242	-
Investment Earnings	85,180	79,819	79,819	-
Tuition and Fees	242,122	898,946	898,946	-
Miscellaneous	145,627	136,461	136,461	-
<i>Total Revenues</i>	<u>15,837,051</u>	<u>15,907,768</u>	<u>15,907,768</u>	<u>-</u>
Expenditures				
Current:				
Instruction:				
Regular	5,993,192	7,137,491	7,137,491	-
Special	2,309,009	2,338,604	2,338,604	-
Vocational	303,076	306,960	306,960	-
Support Services:				
Pupils	431,976	437,513	437,513	-
Instructional Staff	351,928	356,439	356,439	-
Board of Education	343,177	347,575	347,575	-
Administration	1,333,452	1,350,543	1,350,543	-
Fiscal	385,625	390,567	390,567	-
Operation and Maintenance of Plant	3,165,195	3,205,764	3,205,764	-
Pupil Transportation	1,232,853	1,248,654	1,248,654	-
Central	84,849	85,937	85,937	-
Extracurricular Activities	242,989	246,104	246,104	-
<i>Total Expenditures</i>	<u>16,177,321</u>	<u>17,452,151</u>	<u>17,452,151</u>	<u>-</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(340,270)</u>	<u>(1,544,383)</u>	<u>(1,544,383)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	1,123,583	1,052,866	493,290	(559,576)
Transfers Out	(658,141)	(666,576)	(107,000)	559,576
<i>Total Other Financing Sources (Uses)</i>	<u>465,442</u>	<u>386,290</u>	<u>386,290</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	125,172	(1,158,093)	(1,158,093)	-
<i>Fund Balance at Beginning of Year</i>	3,319,271	3,319,271	3,319,271	-
Prior Year Encumbrances Appropriated	837,474	837,474	837,474	-
<i>Fund Balance at End of Year</i>	<u>\$ 4,281,917</u>	<u>\$ 2,998,652</u>	<u>\$ 2,998,652</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2009

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$ 37,157</u>
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Liabilities

Due to Students	<u>\$ 37,157</u>
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See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 105 classified employees and 151 certified teaching and administrative personnel who provide services to 1,847 students and other community members.

Reporting Entity

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

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

The School District participates in the South Central Ohio Computer Association and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Lawrence County Schools Insurance Purchasing Consortium, which are defined as insurance purchasing pools. These organizations are presented in Notes 15 and 16.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds utilized by the School District: governmental and fiduciary.

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

General Fund The General Fund 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.

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

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

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2009, investments were limited to a repurchase agreement which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund and the Permanent Improvements and Classroom Facilities Capital Projects Funds. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$79,819, which includes \$45,415 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by State statute to be set-aside by the School District for budget stabilization. See Note 20 for additional information regarding set-asides.

G. Inventory

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

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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

I. Internal Activity

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

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

J. Compensated Absences

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

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

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that are paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

L. Fund Balance Reserves

The School District reserves those portions of fund balance 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, bus purchases, budget stabilization, and notes.

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.

M. Interfund Balances

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

N. Estimates

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

O. Net Assets

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

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

P. Budgetary Process

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

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

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 3 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2009:

	<u>Deficit</u>
Special Revenue Funds:	
Public Preschool	\$8,058
Title VI-B Idea	18,721
Title I	3,512
Title II-A	15,468

These deficits resulted from the recognition of payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP basis) but not on the budgetary basis.

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

Net Change in Fund Balance	
GAAP Basis	(\$385,149)
Revenue Accruals	(136,180)
Expenditure Accruals	(29,347)
Beginning of Fiscal Year:	
Unrecorded Cash	9,384
Prepaid Items	545
Encumbrances	<u>(617,346)</u>
Budget Basis	<u><u>(\$1,158,093)</u></u>

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,513,842 of the School District's bank balance of \$1,686,060 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 - Deposits and Investments (Continued)

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

Investments As of June 30, 2009, the School District had an investment in a Repurchase Agreement. The fair value of the Repurchase Agreement was \$7,004,865, and the investment has a maturity of one day. The Repurchase agreement is invested in the following underlying securities:

	Carrying Value	Percentage of Investment
Federal Farm Credit Bank Notes	\$524,225	7.27%
Federal Home Loan Mortgage Corporation Discount Notes	3,158,183	43.79%
Federal Home Loan Bank Notes	3,227,594	44.76%
US Treasury Notes	301,534	4.18%
Totals	<u>\$7,211,536</u>	<u>100.00%</u>

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

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

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 6 - Property Taxes (Continue)

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$260,574 in the General Fund and \$4,632 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2008, was \$193,808 in the General Fund and \$3,368 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$72,533,110	73%	\$73,168,020	75%
Public Utility Personal	20,852,100	21%	17,572,550	18%
Tangible Personal Property	6,548,840	7%	6,592,150	7%
Total	\$99,934,050	100%	\$97,332,720	100%
Tax rate per \$1,000 of assessed valuation	\$23.00		\$23.00	

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Receivables

Receivables at June 30, 2009, consisted of property taxes, accounts (rents, student fees, and tuition), interfund, intergovernmental receivables arising from grants and entitlements, and revenue in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The amount, representing revenue in lieu of taxes receivable, not scheduled for collection during the subsequent fiscal year is \$2,294,000. All other receivables, except delinquent property taxes, are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
School Lunch and Breakfast Program	\$1,093
Public Preschool	14,796
Ohio Reads	19,721
High Schools that Work	4,327
Title VI-B	26,688
Title I	75,286
Title V	696
Safe and Drug Free Schools	2,147
Title II-A	5
Rural and Low Income	2,276
Miscellaneous	4,000
Total	<u>\$151,035</u>

Note 8 - Revenue in Lieu of Taxes

As provided by State law, the School District has entered into an agreement with a property owner under which real and tangible personal property tax abatements were granted to the property owner. The property owner has agreed to make payments to the School District which reflect all or a portion of the real and tangible personal property taxes which the property owner would have paid if the taxes had not been abated. There is no provision within the agreement which would allow the property owner to reduce payments to the School District due to the changing personal property tax system. The agreement provided for a total payout of \$9,635,000 over a 12 year period ending in fiscal year 2015. The School District received \$573,500 in revenue in lieu of taxes for fiscal year 2009. Based upon scheduled payments in this agreement, a receivable and deferred revenue has been recorded in the Permanent Improvements Capital Projects Fund.

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School District contracted with The Netherlands Insurance Company for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$ 1,000	\$ 49,519,789
General Liability:		
Each Occurrence	-	1,000,000
Aggregate Limit	-	2,000,000
Sexual Abuse	-	1,000,000
Products - Completed Operations Aggregate Limit	-	2,000,000
Personal and Advertising Injury Limit - Each Offense	-	1,000,000
Fire Damage Limit - Any One Event	-	500,000
Medical Expense:		
Any One Person	-	15,000
Any One Accident	-	15,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Employers' Liability:		
Each Occurrence	-	1,000,000
Disease - Each Employee	-	1,000,000
Disease - Policy Limit	-	1,000,000
Employee Benefits Liability:		
Each Occurrence	-	1,000,000
Aggregate Limit	-	3,000,000
Hazardous Substances	-	25,000
CFC Refrigeration	-	100,000
Spoilage	-	25,000
Vehicles:		
Bodily Injury:		
Per Person	-	1,000,000
Per Accident	-	1,000,000
Property Damage	-	1,000,000
Uninsured Motorist:		
Per Person	100	1,000,000
Per Accident	100	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2008.

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 9 - Risk Management (Continued)

B. Workers' Compensation

For fiscal year 2008, 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Deductions	Balance at 6/30/09
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$ 817,657	\$ -	\$ -	\$ 817,657
Construction in Progress	1,566,985	273,054	1,407,799	432,240
Total Capital Assets not being Depreciated	2,384,642	273,054	1,407,799	1,249,897
Depreciable Capital Assets:				
Land Improvements	10,417,687	1,477,561	-	11,895,248
Buildings and Improvements	38,162,452	-	-	38,162,452
Furniture, Fixtures, and Equipment	1,480,228	132,720	-	1,612,948
Vehicles	2,299,791	16,200	-	2,315,991
Total Depreciable Capital Assets	52,360,158	1,626,481	-	53,986,639
Less Accumulated Depreciation:				
Land Improvements	3,182,625	545,568	-	3,728,193
Buildings and Improvements	9,109,628	1,274,666	-	10,384,294
Furniture, Fixtures, and Equipment	802,838	85,363	-	888,201
Vehicles	1,534,379	139,500	-	1,673,879
Total Accumulated Depreciation	14,629,470	2,045,097 *	-	16,674,567
Total Capital Assets being Depreciated, Net	37,730,688	(418,616)	-	37,312,072
Capital Assets, Net	\$ 40,115,330	\$ (145,562)	\$ 1,407,799	\$ 38,561,969

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 10 - Capital Assets (Continued)

*Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	732,116
Special		280,598
Vocational		23,836
Support Services:		
Pupils		47,833
Instructional Staff		47,833
Administration		113,423
Fiscal		17,917
Operation and Maintenance of Plant		147,613
Pupil Transportation		280,562
Food Service Operations		116,731
Extracurricular Activities		236,635
Total Depreciation Expense		<u>\$ 2,045,097</u>

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$265,864, \$247,252, and \$262,358, respectively; 47.16 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 11 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$1,097,456, \$981,035, and \$959,335 respectively; 83.17 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$2,491 made by the School District and \$7,988 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Retirement System. As of June 30, 2009, no members of the Board of Education had elected Social Security. The contribution rate is 6.2 percent of wages.

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 12 - Postemployment Benefits

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$163,659, \$156,587, and \$133,691, respectively; 35.16 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$23,268, \$16,369, and \$15,445, respectively; 50.18 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$84,420, \$75,464, and \$73,795, respectively; 83.17 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 13 - Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 60 days.

B. Insurance Benefits

Health insurance is provided by Medical Mutual. Monthly premiums for this coverage are \$1,682 for family plans and \$681 for single plans. The School District pays 86% of these premiums for certificated employees and 95% for classified employees.

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

Note 14 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amount Due in One Year
Governmental Activities:					
Compensated Absences	\$ 1,069,558	\$ 137,927	\$ 115,017	\$ 1,092,468	\$ 27,547

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

The School District's overall legal debt margin was \$10,310,069, with an unvoted debt margin of \$1,145,347 at June 30, 2009.

Note 15 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. The School District paid \$100,911 for services provided during fiscal year 2009. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 15 - Jointly Governed Organizations (Continued)

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2009. To obtain financial information write to CORAS, McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 16 - Insurance Purchasing Pools

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

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

B. Lawrence County Schools Insurance Purchasing Consortium

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

Note 17 - Interfund Activity and Balances

A. Transfers

The General Fund made transfers to the Food Service and District Managed Activities Special Revenue Funds in the amounts of \$100,000 and \$7,000, respectively. The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Permanent Improvements Capital Projects Fund transferred \$493,290 to the General Fund to fund current operations. This transfer was approved by the State of Ohio Tax Commissioner and the Lawrence County Common Pleas Court.

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 17 - Interfund Activity and Balances (Continued)

B. Interfund Balances

Interfund Balances at June 30, 2009, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Title VI-B and Title I Special Revenue Funds.

	Interfund Receivables	Interfund Payables
General Fund	<u>\$ 111,374</u>	<u>\$ -</u>
Other Governmental Funds:		
High Schools that Work		3,400
Title VI-B Idea		61,306
Title I		31,280
Title II-A	-	13,474
Miscellaneous Federal Grants	-	1,914
Total Other Governmental Funds	<u>-</u>	<u>111,374</u>
Total All Funds	<u><u>\$ 111,374</u></u>	<u><u>\$ 111,374</u></u>

Note 18 - Contractual Commitments

As of June 30, 2009, the School District's contractual purchase commitments are as follows:

Projects	Fund	Contract Amount	Amount Expended	Balance at 06/30/09
Elementary Playground	Permanent Improvements Capital Projects Fund	\$ 411,313	\$ 394,860	\$ 16,453

Note 19 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 20 - Set-Aside Calculations

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers' Compensation in the budget reserve pursuant to State Statute and at June 30, 2009, this is all that continues to be set-aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of as of June 30, 2008	\$ (358,956)	\$ -	\$ 124,918
Current Year Set-Aside Requirement	279,788	279,788	-
Current Year Offsets	-	(610,375)	-
Qualifying Disbursements	(488,724)	(217,822)	-
Totals	\$ (567,892)	\$ (548,409)	\$ 124,918
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ (567,892)	\$ -	\$ 124,918
Set-Aside Reserve Balance as of June 30, 2009	\$ -	\$ -	\$ 124,918

The School District had qualifying expenditures, offsets, and carry forwards during the fiscal year that reduced the textbook and capital improvements set-aside amount below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements for future years.

Rock Hill Local School District
Lawrence County
Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2009

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>						
National School Breakfast Program	05PU	10.553	\$ 224,089	\$ -	\$ 224,089	\$ -
National School Lunch Program	LLP4	10.555	436,831	94,606	436,831	94,606
Total Nutrition Cluster			660,920	94,606	660,920	94,606
Total United States Department of Agriculture			660,920	94,606	660,920	94,606
United States Department of Education						
<i>Passed through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States	6BSF	84.027	561,157	-	517,453	-
Special education Preschool Grants	PGS1	84.173	2,700	-	-	-
Total Special Education Cluster			563,857	-	517,453	-
Title I Grants to Local Education Agencies	C1S1	84.010	896,127	-	836,194	-
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	12,158	-	12,158	-
State Grants for Innovative Programs	C2S1	84.298	1,535	-	3,533	-
Education Technology State Grants	TJS1	84.318	8,807	-	1,220	-
Improving Teacher Quality - State Grants	TRS1	84.367	230,539	-	213,094	-
Rural Education	RUS1	84.358	41,569	-	42,246	-
Total United States Department of Education			1,754,592	-	1,625,898	-
Total Federal Financial Assistance			\$ 2,415,512	\$ 94,606	\$ 2,286,818	\$ 94,606

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

**ROCK HILL LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District, (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

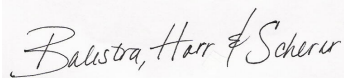
We noted certain matters that we reported to the School District's management in a separate letter dated March 19, 2010.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated March 19, 2010.

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



Balestra, Harr & Scherer, CPAs, Inc.

March 19, 2010



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

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

Compliance

We have audited the compliance of the Rock Hill Local School District, (the 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 apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures 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 the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings and Questioned Cost as item 2009-001.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

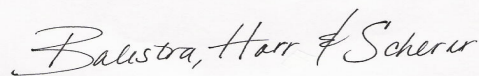
A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

The School District response to the finding we identified is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Balestra, Harr & Scherer, CPAs, Inc.

March 19, 2010

Rock Hill Local School District
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 Section .505
 For the Fiscal Year Ended June 30, 2009

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 significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies 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?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010 Nutrition Cluster: School Breakfast Program – CFDA #15.553; National School lunch Program – CFDA# 10.555;
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Rock Hill Local School District
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 Section .505
 For the Fiscal Year Ended June 30, 2009

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2009-001
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA #84.010
Federal Award Year	2008/2009
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Allowable Costs/cost Principles

2 CFR part 225, Appendix B, Section 8(h)(5)(a)-(d) states that personnel activity reports or equivalent documentation must meet the following standards:

- They must reflect an after-the-fact distribution of the actual of each employee,
- They must account for the total activity for which each employee is compensated,
- They must be prepared at least monthly and must coincide with one or more pay periods, and
- They must be signed by the employee.

2 CFR part 225 Appendix B, Section 8(h)(5)(e)(i)-(iii) further provides that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that;

- The governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed;
- At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charge to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent and ;
- The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Total compensation for the Grant Coordinator was based upon an 8-hour work day (e.g. 7 hours for actual work plus 1 hour for lunch). The School District paid the Grant Coordinator’s daily lunch hour from the General fund; however the remaining 7 hours per day, plus fringe benefits, were charged to the Title I program. The total Title I salary and benefit allocations for the Grant Coordinator represented 85% of the Grant coordinator’s total compensation.

Supporting documentation (e.g. detailed timesheets) required by OMB Cost Principles 2 C.F.R Part 225 was provided by the Grant Coordinator for the 7 hours actually worked each day for the Title I grant. According to the history log of the 2009 comprehensive Continuous Improvement Plan (CCIP), the original CCIP and revisions to the CCIP were completed by the Grant Coordinator. The history logs of the 2009 Career-Technical and Adult Education, School Literacy Consultant and the Early Childhood Education Funding Applications indicated that they were each completed by the Grant Coordinator. The timesheet did not reflect any time the Grant coordinator worked on any of the other 6 Federal grants in the CCIP or for the 3 State grants in the funding applications indicated above.

Rock Hill Local School District
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 Section .505
 For the Fiscal Year Ended June 30, 2009

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2009-001 (Continued)
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA #84.010
Federal Award Year	2008/2009
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Section 9201 or 9203 of the Elementary and Secondary Education Act (ESEA) permits school district to consolidate Federal administrative funds for various Federal programs, including Title I part A (20 U.S.C. 6314) to upgrade the entire educational program of the school. Time-and-effort requirements in schoolwide program schools vary under different circumstances;

1. If a school operating a schoolwide program consolidates Federal, State and local funds in a consolidated schoolwide pool. And employee who is paid with funds from that pool is not required to file a semi-annual certification because there is no distinction between staff paid with Federal funds and staff paid with State or local funds. In effect, payment from the single consolidated schoolwide pool certifies that the employees work only on activities of the school wide program.
2. If a school operating a schoolwide program does not consolidate Federal funds with the State and local funds in a consolidated schoolwide pool, an employee who works, in whole or in part, on a Federal program or cost objective must document time and effort as follows:
 - a. An employee who works solely on a single cost objective (i.e. in part on a Federal program whose funds have not been consolidated or Federal programs whose funds have been consolidated but not with State and local funds) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).
 - b. An employee who works on multiple activities or cost objectives (i.e., in part on a Federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on Federal programs supported with funds consolidated in a schoolwide pool or an activities funded from other revenue sources) must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(4), (5) and (6). The employee must document the portion of time and effort dedicated to :
 - i. The Federal program ; and
 - ii. Each program or other cost objective supported either by consolidated Federal funds or other revenue sources.

Although the School District is operating a schoolwide program for the Rock Hill Elementary School, the School District has not consolidated its Federal funds with its State and local funds in a schoolwide pool. The School District charged 85% of the Grant Coordinator's salary and fringe benefits to the Title I program despite the Grant Coordinator's work on 6 other Federal grants and 3 state grants. As a result, \$92,444.36 (i.e., 85% of the Grant Coordinator's total salary and fringe benefits) is questioned.

Rock Hill Local School District
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 Section .505
 For the Fiscal Year Ended June 30, 2009

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2009-001 (Continued)
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA #84.010
Federal Award Year	2008/2009
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

The School District should develop internal control procedures to require the School District employees to document the time and effort of administrative costs charged to Federal programs in accordance with the ESEA and 2 C.F.R. part 225 requirements described above. These procedures should describe time and effort requirements for school district employees who:

- Work on more than one federal award
- Work on both a federal award and a non federal award
- Are a part of a schoolwide program and/or cost allocation pool

Such policies and procedures should include adequate monitoring of grant related activity by appropriate personnel and supervisor knowledgeable or applicable grants management compliance requirements.

Client Response:

During the 2009 fiscal year the Rock Hill Local School District used Title 1 funds to fund the position of Title 1 Coordinator. This Title 1 Coordinator was paid 85% out of Title 1 funds as the District has done for the last several years. This Title 1 Coordinators position is listed in the CCIP and reflects the actual cost of doing business for the Title 1 program for 2009 fiscal year. The CCIP was approved by grants management on separate occasions with the budget and notations in the CCIP log reflecting the districts expenditure of 85 % for Title 1 Coordinator out of Title 1 funds. The Rock Hill Local School District also maintained time and effort logs that reflect that 85% of the Title 1 Coordinators time was spent in the Title 1 program. The district has yet to receive anything in writing from Grants management that this is incorrect. However to avoid further audit difficulties the district replaced the Title 1 Coordinator with an Assistant Superintendent who is charge of Federal Programs. This position is only funded 50% out of Title 1 for the 2010 fiscal year.

Rock Hill Local School District
 Schedule of Prior Audit Findings
 OMB Circular A-133 Section .315(b)
 For the Fiscal Year Ended June 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected: Significantly Different Corrective Action Taken; Finding No Long Valid; Explain
2008-001	ORC section 5705.41(B) expenditures in excess of Appropriations	Yes	
2008-002	Significant Deficiency – posting foundation revenues in the net.	Yes	
2008-003	OMB Cost Principles 2 CFR part 225 Appendix B section 8(a)	No	Reissued as Finding 2009-001



Independent Auditor’s Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

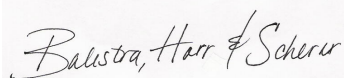
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Rock Hill Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 20, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

March 19, 2010



Mary Taylor, CPA
Auditor of State

ROCK HILL LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2010**