

Rock Hill Local School District  
Lawrence County  
Single Audit  
For the Fiscal Year Ended June 30, 2015



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# Dave Yost • Auditor of State

Board of Education  
Rock Hill Local School District  
2325 A 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 Millhuff-Stang, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

May 17, 2016

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**Rock Hill Local School District**  
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For the Fiscal Year Ended June 30, 2015

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rock Hill Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rock Hill Local School District, Lawrence County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in note 21 to the financial statements, during 2015, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." The 2015 financial statements have been restated due to implementation of these pronouncements. We did not modify our opinion is regarding these matters.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the School District's proportionate share of the net pension liability, and the schedule of School District contributions on pages 4 through 12 and 50 through 53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

March 8, 2016

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2015*  
*Unaudited*

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The discussion and analysis of the Rock Hill Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:***

- Net position of governmental activities increased \$30,717.
- General revenues accounted for \$15,641,806 in revenue, or 72.8 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$5,848,254 or 27.2 percent of total revenues of \$21,490,060.
- The School District had \$21,459,343 in expenses related to governmental activities; only \$5,848,254 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily taxes and intergovernmental) of \$15,641,806 were adequate to cover the remaining expenses.
- Total governmental funds had \$22,330,813 in revenues and other financing sources and \$21,152,290 in expenditures and other financing uses. The total governmental fund balance increased \$1,178,523.

## **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 Position 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 Position 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 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

In the Statement of Net Position 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 10. Fund financial statements 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 Position 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.

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**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1  
Net Position

	2015	2014*
Assets:		
Current and Other Assets	\$ 15,702,393	\$ 12,208,693
Capital Assets, Net	31,748,882	33,494,332
Total Assets	47,451,275	45,703,025
Deferred Outflows of Resources:		
Pensions	1,595,756	1,359,970
Total Deferred Outflows of Resources	1,595,756	1,359,970
Liabilities:		
Current and Other Liabilities	2,270,490	2,327,480
Long-Term Liabilities:		
Due Within One Year	295,056	369,917
Due in More than One Year:		
Net Pension Liabilities	20,872,389	24,799,274
Other Amounts	2,927,653	3,118,088
Total Liabilities	26,365,588	30,614,759
Deferred Inflows of Resources:		
Pensions	3,828,190	-
Property Taxes not Levied to Finance the Current Year	4,718,592	2,344,292
Total Deferred Inflows of Resources	8,546,782	2,344,292
Net Position:		
Net Investment in Capital Assets	29,623,882	30,876,651
Restricted	4,463,309	4,234,005
Unrestricted (Deficit)	(19,952,530)	(21,006,712)
Total Net Position	\$ 14,134,661	\$ 14,103,944

\* As restated, see Note 21 for additional information.

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68 and GASB 71, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$37,498,871 to \$14,059,567. There was an additional restatement of \$44,377 which resulted in a restated beginning net position of \$14,103,944.

Total net position of the School District as a whole increased \$30,717. The increase to current and other assets is primarily due to increases in cash and taxes receivables at fiscal year-end. Cash and taxes receivable increased due to taxes now being levied and collected from Duke Energy as opposed to receiving payment in lieu of tax. Capital assets, net decreased due to current year depreciation, which was partially offset by current year additions.

Current liabilities decreased due to decreases in contracts payable, which was partially offset by an increase in accrued wages and benefits. Long-term liabilities decreased primarily due to principal payments on debt obligation and due to the decrease in net pension liabilities. Deferred inflows of resources increased due to the implementation of GASB 68 and due to deferrals related to the increase in taxes receivable for the addition taxes now being levied and collected from Duke Energy. Deferred outflows of resources increased due to the full allocation of employer contributions to pension for STRS.

**Rock Hill Local School District, Ohio**  
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Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, and comparisons to fiscal year 2014.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2015	2014*
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$2,342,555	\$2,747,164
Operating Grants and Contributions	3,505,699	3,349,454
Total Program Revenues	<u>5,848,254</u>	<u>6,096,618</u>
General Revenues:		
Property Taxes	3,816,966	2,525,065
Grants and Entitlements not Restricted	11,565,295	11,733,754
Gifts and Donations	500	843
Investment Earnings	11,335	12,101
Miscellaneous	247,710	517,009
Total General Revenues	<u>15,641,806</u>	<u>14,788,772</u>
Total Revenues	<u>21,490,060</u>	<u>20,885,390</u>
<b>Program Expenses</b>		
Instruction:		
Regular	7,660,072	7,755,143
Special	2,802,871	2,737,427
Vocational	256,762	276,943
Other	1,753,063	2,334,371
Support Services:		
Pupils	662,464	639,428
Instructional Staff	544,737	581,242
Board of Education	555,926	375,946
Administration	1,434,785	1,444,552
Fiscal	428,713	389,095
Operation and Maintenance of Plant	2,488,043	2,260,797
Pupil Transportation	1,269,176	1,356,957
Central	6,216	0
Operation of Non-Instructional Services	807,594	802,505
Extracurricular Activities	724,419	649,948
Interest and Fiscal Charges	64,502	72,259
Total Expenses	<u>21,459,343</u>	<u>21,676,613</u>
Increase (Decrease) in Net Position	30,717	(791,223)
Net Position at Beginning of Year - As Restated, See Note 21	<u>14,103,944</u>	N/A
Net Position at End of Year	<u>\$14,134,661</u>	<u>\$14,103,944</u>

\* Certain reclassifications were made for consistency of reporting between years.

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,359,970 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,013,990. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$21,459,343
Pension expense under GASB 68	(1,013,990)
2015 contractually required contribution	1,358,471
Adjusted 2015 program expenses	21,803,824
Total 2014 program expenses under GASB 27	21,676,613
Increase in program expenses not related to pension	\$127,211

***Governmental Activities***

Property taxes made up approximately 17.8 percent of revenues for governmental activities for the Rock Hill Local School District. Of the remaining revenues, the School District receives 70.1 percent from state foundation, federal, and state grants, and 10.9 percent from charges for services. Property taxes increased and miscellaneous revenue decreased due to taxes now being levied and collected from Duke Energy as opposed to receiving payment in lieu of tax. Operating grants and contributions increased due to additional monies received from the Public Preschool, Title VI-B, and Title I programs. Charges for Services revenue decreased due to the School District no longer administering services for the NECCO Center.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain why an increase in the School District's taxable value is accompanied by the decrease in tax revenue. 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.

58.1 percent of the School District's expenses are used to fund instructional expenses. Support services make up 34.4 percent of expenses and 7.1 percent is used for extracurricular activities and non-instructional services. Other instruction decreased due to fewer student intervention services offered by the District during the fiscal year. Board of Education increased due to increased dues and fees for the current year. Operation and maintenance of plant increased due to increased maintenance costs during the current fiscal year.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions, 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.

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**Table 3**  
**Governmental Activities**

	2015 Total Cost of Services	2015 Net Cost of Services	2014 Total Cost of Services	2014 Net Cost of Services*
<b>Program Expenses</b>				
Instruction:				
Regular	\$7,660,072	\$6,428,222	\$7,755,143	\$6,202,319
Special	2,802,871	(132,199)	2,737,427	90,368
Vocational	256,762	205,992	276,943	215,537
Other	1,753,063	1,631,627	2,334,371	2,097,095
Support Services:				
Pupils	662,464	505,251	639,428	488,216
Instructional Staff	544,737	501,785	581,242	491,354
Board of Education	555,926	517,417	375,946	337,733
Administration	1,434,785	1,305,635	1,444,552	1,272,294
Fiscal	428,713	399,032	389,095	351,031
Operation and Maintenance of Plant	2,488,043	2,297,373	2,260,797	2,030,801
Pupil Transportation	1,269,176	1,203,719	1,356,957	1,251,200
Central	6,216	5,785	0	0
Operation of Non-Instructional Services	807,594	156,249	802,505	198,239
Extracurricular Activities	724,419	525,210	649,948	488,955
Interest and Fiscal Charges	64,502	59,991	72,259	64,853
Totals	<u>\$21,459,343</u>	<u>\$15,611,089</u>	<u>\$21,676,613</u>	<u>\$15,579,995</u>

\* Certain reclassifications were made for consistency of reporting between years.

As you can see, the reliance upon local tax revenues for governmental activities is crucial. 17.8 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs supported 53.9 percent of expenses. Program revenue supported 27.3 percent of expenses, while investments and other miscellaneous types of revenues supported the remaining activity costs. The dependence upon tax revenues and State subsidies for governmental activities is apparent.

**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 and other financing sources of \$22,330,813 and expenditures and other financing uses of \$21,152,290.

The fund balance of the General Fund increased \$951,370 primarily due to the increase in property tax revenues. The General Fund had a year end fund balance of \$4,118,536.

The fund balance of the Permanent Improvements Capital Projects Fund increased \$214,293. The Permanent Improvement Fund ended the 2015 fiscal year with a fund balance of \$3,987,338.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2015, 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.



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For the General Fund, the final budget basis revenue estimate was \$18,646,288, which represented an increase of \$2,632,527 from original estimates of \$16,013,761. This increase was mainly due to increases in intergovernmental and property tax revenues. The final budget basis expenditure estimate of \$18,171,963 represented a \$566,726 increase from the original estimates of \$17,605,237. This increase was primarily due to increases to other financing uses.

The School District's ending unobligated general fund balance was \$4,805,584.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2015, the School District had \$31,748,882 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

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

	Governmental Activities	
	2015	2014
Land	\$817,657	\$817,657
Construction in Progress	245,000	277,681
Land Improvements	5,662,202	5,907,581
Buildings and Improvements	24,071,977	25,422,579
Furniture, Fixtures, and Equipment	595,049	678,842
Vehicles	356,997	389,992
Totals	\$31,748,882	\$33,494,332

For additional information on capital assets, see Note 9 to the basic financial statements.

***Debt***

At June 30, 2015, the School District had outstanding Energy Conservation Notes in the amount of \$880,000, and a Lease-Purchase Agreement in the amount of \$1,195,000.

For additional information on debt, see Note 15 to the basic financial statements.

**CURRENT ISSUES**

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

Externally, the School District is largely dependent on State funding sources (approximately 70 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has begun to see decreases in student enrollment, and while State revenue growth has shifted toward school districts with low property tax wealth, the decreasing student enrollment has served to somewhat offset increases in Federal and State funding.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2015*  
*Unaudited*

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

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

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

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

**Rock Hill Local School District, Ohio**  
*Statement of Net Position*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,915,302
Intergovernmental Receivable	555,975
Taxes Receivable	5,231,116
Noncurrent Assets:	
Nondepreciable Capital Assets	1,062,657
Depreciable Capital Assets, Net	30,686,225
<i>Total Assets</i>	47,451,275
<b>Deferred Outflows of Resources</b>	
Pension:	
State Teachers Retirement System	1,153,064
School Employees Retirement System	442,692
<i>Total Deferred Outflows of Resources</i>	1,595,756
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	185,130
Accrued Wages and Benefits Payable	1,617,259
Contracts Payable	50,000
Intergovernmental Payable	363,924
Accrued Interest Payable	4,850
Matured Compensated Absences Payable	49,327
Noncurrent Liabilities:	
Due Within One Year	295,056
Due in More Than One Year	
Net Pension Liability (See Note 12)	20,872,389
Other Amounts Due in More Than One Year	2,927,653
<i>Total Liabilities</i>	26,365,588
<b>Deferred Inflows of Resources</b>	
Pensions:	
State Teachers Retirement System	3,188,397
School Employees Retirement System	639,793
Property Taxes not Levied to Finance Current Year Operations	4,718,592
<i>Total Deferred Inflows of Resources</i>	8,546,782
<b>Net Position</b>	
Net Investment in Capital Assets	29,623,882
Restricted for:	
Bus Purchases	64,238
Budget Stabilization	124,918
Debt Service	1,950
Capital Outlay	3,987,339
Other Purposes	284,864
Unrestricted (Deficit)	(19,952,530)
<i>Total Net Position</i>	\$ 14,134,661

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,660,072	\$412,988	\$818,862	(\$6,428,222)
Special	2,802,871	1,203,519	1,731,551	132,199
Vocational	256,762	16,013	34,757	(205,992)
Other	1,753,063	121,436	0	(1,631,627)
Support Services:				
Pupils	662,464	31,587	125,626	(505,251)
Instructional Staff	544,737	33,429	9,523	(501,785)
Board of Education	555,926	38,509	0	(517,417)
Administration	1,434,785	88,434	40,716	(1,305,635)
Fiscal	428,713	27,786	1,895	(399,032)
Operation and Maintenance of Plant	2,488,043	153,596	37,074	(2,297,373)
Pupil Transportation	1,269,176	65,457	0	(1,203,719)
Central	6,216	431	0	(5,785)
Operation of Non-Instructional Services	807,594	59,393	591,952	(156,249)
Extracurricular Activities	724,419	85,466	113,743	(525,210)
Interest and Fiscal Charges	64,502	4,511	0	(59,991)
<i>Totals</i>	<u>\$21,459,343</u>	<u>\$2,342,555</u>	<u>\$3,505,699</u>	<u>(15,611,089)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				3,743,940
Other Purposes				73,026
Grants and Entitlements not Restricted to Specific Programs				11,565,295
Gifts and Donations				500
Investment Earnings				11,335
Miscellaneous				247,710
<i>Total General Revenues</i>				<u>15,641,806</u>
<i>Change in Net Position</i>				30,717
<i>Net Position at Beginning of Year - As Restated, See Note 21</i>				<u>14,103,944</u>
<i>Net Position at End of Year</i>				<u>\$14,134,661</u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2015*

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,394,313	\$4,037,338	\$294,495	\$9,726,146
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	189,156	0	0	189,156
Receivables:				
Property Taxes	5,181,300	0	49,816	5,231,116
Intergovernmental	215,754	0	340,221	555,975
Interfund	66,174	0	0	66,174
Total Assets	<u>\$11,046,697</u>	<u>\$4,037,338</u>	<u>\$684,532</u>	<u>\$15,768,567</u>
<b>Liabilities</b>				
Accounts Payable	\$165,645	\$0	\$19,485	\$185,130
Accrued Wages and Benefits Payable	1,388,776	0	228,483	1,617,259
Contracts Payable	0	50,000	0	50,000
Interfund Payable	0	0	66,174	66,174
Intergovernmental Payable	301,677	0	62,247	363,924
Matured Compensated Absences Payable	49,327	0	0	49,327
Total Liabilities	<u>1,905,425</u>	<u>50,000</u>	<u>376,389</u>	<u>2,331,814</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	4,677,107	0	41,485	4,718,592
Unavailable Revenue - Delinquent Taxes	345,629	0	5,613	351,242
Unavailable Revenue - Grants	0	0	200,895	200,895
Total Deferred Inflows of Resources	<u>5,022,736</u>	<u>0</u>	<u>247,993</u>	<u>5,270,729</u>
<b>Fund Balances</b>				
Nonspendable	44,377	0	0	44,377
Restricted	189,156	3,987,338	233,749	4,410,243
Assigned	690,565	0	0	690,565
Unassigned (Deficit)	3,194,438	0	(173,599)	3,020,839
Total Fund Balances	<u>4,118,536</u>	<u>3,987,338</u>	<u>60,150</u>	<u>8,166,024</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$11,046,697</u>	<u>\$4,037,338</u>	<u>\$684,532</u>	<u>\$15,768,567</u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2015*

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<b>Total Governmental Fund Balances</b>	\$8,166,024
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*Amounts reported for governmental activities in the  
statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,748,882
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
Unavailable Revenue - Delinquent Taxes	351,242
Unavailable Revenue - Grants	<u>200,895</u>
	552,137

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	
Deferred outflows of resources related to pensions	1,595,756
Deferred inflows of resources related to pensions	(3,828,190)
Net Pension Liability	<u>(20,872,389)</u>
	(23,104,823)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued Interest	(4,850)
General Obligation Notes	(880,000)
Lease-Purchase	(1,195,000)
Compensated Absences	<u>(1,147,709)</u>
	<u>(3,227,559)</u>

Net Position of Governmental Activities	<u><u>\$14,134,661</u></u>
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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, 2015*

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,742,372	\$0	\$72,988	\$3,815,360
Intergovernmental	12,930,026	0	2,145,327	15,075,353
Investment Earnings	11,335	0	0	11,335
Tuition and Fees	1,784,419	0	0	1,784,419
Charges for Services	408,244	0	60,047	468,291
Extracurricular	25,246	0	64,599	89,845
Donations	500	0	0	500
Miscellaneous	247,710	0	0	247,710
<i>Total Revenues</i>	<u>19,149,852</u>	<u>0</u>	<u>2,342,961</u>	<u>21,492,813</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,081,413	0	959,650	7,041,063
Special	2,057,226	0	461,701	2,518,927
Vocational	254,761	0	0	254,761
Other	1,753,063	0	0	1,753,063
Support Services:				
Pupils	466,156	0	146,940	613,096
Instructional Staff	492,113	0	11,142	503,255
Board of Education	556,512	0	0	556,512
Administration	1,303,451	0	47,638	1,351,089
Fiscal	408,085	0	2,217	410,302
Operation and Maintenance of Plant	2,270,732	89,724	43,376	2,403,832
Pupil Transportation	973,595	0	0	973,595
Central	6,216	0	0	6,216
Operation of Non-Instructional Services:	0	0	691,586	691,586
Extracurricular Activities	307,731	0	133,079	440,810
Capital Outlay	99,306	295,983	70,772	466,061
Debt Service:				
Principal	265,000	0	0	265,000
Interest	65,122	0	0	65,122
<i>Total Expenditures</i>	<u>17,360,482</u>	<u>385,707</u>	<u>2,568,101</u>	<u>20,314,290</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,789,370</u>	<u>(385,707)</u>	<u>(225,140)</u>	<u>1,178,523</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	600,000	238,000	838,000
Transfers Out	(838,000)	0	0	(838,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(838,000)</u>	<u>600,000</u>	<u>238,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	951,370	214,293	12,860	1,178,523
<i>Fund Balances at Beginning of Year - As Restated, See Note 21</i>	<u>3,167,166</u>	<u>3,773,045</u>	<u>47,290</u>	<u>6,987,501</u>
<i>Fund Balances at End of Year</i>	<u><u>\$4,118,536</u></u>	<u><u>\$3,987,338</u></u>	<u><u>\$60,150</u></u>	<u><u>\$8,166,024</u></u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,178,523

***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 asset additions in the current period:

Capital Asset Additions	532,294	
Depreciation Expense	<u>(2,277,744)</u>	(1,745,450)

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

Property Taxes	1,606	
Grants	<u>(4,359)</u>	(2,753)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 1,348,471

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,013,990)

Long-term debt principal payments are expenditures in the governmental funds, but the principal payment decreases the long-term liabilities on the statement of activities:

Energy Conservation Notes	110,000	
Capital Lease	<u>155,000</u>	265,000

Compensated absences and accrued interest 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.

Decrease in Accrued Interest Payable	620	
Decrease in Compensated Absences	<u>296</u>	916

*Change in Net Position of Governmental Activities* \$30,717

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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$3,217,062	\$3,737,884	\$3,737,884	\$0
Intergovernmental	10,928,107	12,869,527	12,869,527	0
Investment Earnings	9,756	11,335	11,335	0
Tuition and Fees	1,683,267	1,783,549	1,783,549	0
Miscellaneous	175,569	203,993	203,993	0
<i>Total Revenues</i>	16,013,761	18,606,288	18,606,288	0
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,887,458	5,764,822	5,764,822	0
Special	2,128,559	2,084,221	2,084,221	0
Vocational	237,270	232,328	232,328	0
Other	1,795,798	1,758,391	1,758,391	0
Support Services:				
Pupils	471,469	461,648	461,648	0
Instructional Staff	491,755	481,512	481,512	0
Board of Education	571,886	559,974	559,974	0
Administration	1,335,454	1,307,636	1,307,636	0
Fiscal	415,044	406,399	406,399	0
Operation and Maintenance of Plant	2,369,801	2,320,438	2,320,438	0
Pupil Transportation	1,242,161	1,216,287	1,216,287	0
Central	6,348	6,216	6,216	0
Extracurricular Activities	315,090	308,527	308,527	0
Debt Service:				
Principal	305,887	299,515	299,515	0
Interest	31,257	30,606	30,606	0
<i>Total Expenditures</i>	17,605,237	17,238,520	17,238,520	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,591,476)	1,367,768	1,367,768	0
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	40,000	40,000	0
Transfers Out	0	(878,000)	(878,000)	0
Advances Out	0	(55,443)	(55,443)	0
<i>Total Other Financing Sources (Uses)</i>	0	(893,443)	(893,443)	0
<i>Net Change in Fund Balance</i>	(1,591,476)	474,325	474,325	0
<i>Fund Balance at Beginning of Year</i>	3,924,357	3,924,357	3,924,357	0
Prior Year Encumbrances Appropriated	406,902	406,902	406,902	0
<i>Fund Balance at End of Year</i>	\$2,739,783	\$4,805,584	\$4,805,584	\$0

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2015*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$28,732</u></u>
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**Liabilities**

Due to Students	<u><u>\$28,732</u></u>
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See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

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 70 classified employees and 128 certified teaching and administrative personnel who provide services to 1,493 students and other community members.

***Reporting Entity***

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

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

The School District participates in the South Central Ohio Computer Association Council of Governments 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, which is defined as an insurance purchasing pool, and the Lawrence County Schools Council of Governments Health Benefits Program, which is defined as a shared risk pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net position 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. 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 plus deferred inflow of resources is reported as fund balance. The following are the School District's major governmental funds:

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

***Permanent Improvement Capital Projects Fund*** The Permanent Improvement Capital Projects Fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equals liabilities) and does not involve the measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for student activities. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. Measurement Focus***

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

***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, current liabilities and certain deferred inflows of resources 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 inflows and outflows of resources, the recording of net pension liabilities, and 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. Measurable means the amount of the transaction can be determined. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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, investment earnings, tuition, grants, and student fees.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Outflows and Deferred Inflows of Resources*** Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for pensions. The deferred outflows of resources related to the pension are explained in Note 12. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 12)

***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".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$11,335.

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 in the amount of \$64,238 and amounts required by State statute to be set-aside by the School District for budget stabilization in the amount of \$124,918. See Note 19 for additional information regarding set-asides.

***G. 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 position but are not reported in the fund financial statements.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

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

***H. 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.

***I. Compensated Absences***

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

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

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

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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***K. Fund Balance***

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

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

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

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

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

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

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

***L. 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 position.



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***M. 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.

***N. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position 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 position are available.

***O. 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.

***P. Pensions***

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 3 – ACCOUNTABILITY**

At June 30, 2015, the Food Service, Public School Preschool, Race to the Top, Title VI-B, Title I, Improving Teacher Quality Funds, and Miscellaneous Federal Grants had deficit fund balances of \$10,345, \$96, \$7,540, \$20,102, \$116,162, \$14,803, and \$4,551 respectively, which were created by the application of accounting principles generally accepted in the United States of America. 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget 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	\$951,370
Revenue Accruals	(476,948)
Expenditure Accruals	449,559
Encumbrances	(455,408)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>5,752</u>
Budget Basis	<u><u>\$474,325</u></u>

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 5 – FUND BALANCES**

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

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

Fund Balances	General Fund	Permanent Improvements Fund	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	\$44,377	\$0	\$0	\$44,377
Restricted for:				
Budget Stabilization	124,918	0	0	124,918
Bus Purchases	64,238	0	0	64,238
Classroom Facilities Maintenance	0	0	165,364	165,364
Other Purposes	0	0	66,434	66,434
Capital Improvements	0	3,987,338	1	3,987,339
Debt Service	0	0	1,950	1,950
<i>Total Restricted</i>	<u>189,156</u>	<u>3,987,338</u>	<u>233,749</u>	<u>4,410,243</u>
Assigned to:				
Other Purposes	690,565	0	0	690,565
Unassigned (Deficit):	3,194,438	0	(173,599)	3,020,839
<i>Total Fund Balances</i>	<u>\$4,118,536</u>	<u>\$3,987,338</u>	<u>\$60,150</u>	<u>\$8,166,024</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance of \$10,114,549 was insured and collateralized.

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

**Investments** As of June 30, 2015, the School District had no investments.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 7 - PROPERTY TAXES (Continued)**

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2015, was \$158,564 in the General Fund and \$2,718 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 is recorded as deferred inflows of resources.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	<u>2014 Second- Half Collections</u>		<u>2015 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 94,072,960	72.62%	\$ 102,700,360	42.51%
Public Utility	35,462,810	27.38%	138,888,100	57.49%
Total Assessed Value	<u>\$ 129,535,770</u>	<u>100.00%</u>	<u>\$ 241,588,460</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 23.00		\$ 23.00	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2015, consisted of property taxes, interfund, and intergovernmental receivables arising from grants and entitlements. 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. All 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>
Major Fund:	
General Fund	\$215,754
Nonmajor Special Revenue Funds:	
Public Preschool	55,229
Miscellaneous Federal Grants	1,365
Title VI-B	116,659
Title I	106,985
Title VI-R	15,016
Food Service	44,967
Total Nonmajor Special Revenue Funds	<u>340,221</u>
Total Governmental Activities	<u>\$555,975</u>

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/14	Additions	Deductions	Balance at 6/30/15
<b>Capital Assets:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$817,657	\$0	\$0	\$817,657
Construction in Progress	277,681	245,000	(277,681)	245,000
<b>Total Capital Assets not being Depreciated</b>	<b>1,095,338</b>	<b>245,000</b>	<b>(277,681)</b>	<b>1,062,657</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	12,669,860	394,898	0	13,064,758
Buildings and Improvements	41,813,064	47,520	(19,994)	41,840,590
Furniture, Fixtures, and Equipment	2,108,286	35,193	0	2,143,479
Vehicles	2,301,899	87,364	0	2,389,263
<b>Total Depreciable Capital Assets</b>	<b>58,893,109</b>	<b>564,975</b>	<b>(19,994)</b>	<b>59,438,090</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(6,762,279)	(640,277)	0	(7,402,556)
Buildings and Improvements	(16,390,485)	(1,398,122)	19,994	(17,768,613)
Furniture, Fixtures, and Equipment	(1,429,444)	(118,986)	0	(1,548,430)
Vehicles	(1,911,907)	(120,359)	0	(2,032,266)
<b>Total Accumulated Depreciation</b>	<b>(26,494,115)</b>	<b>(2,277,744) *</b>	<b>19,994</b>	<b>(28,751,865)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>32,398,994</b>	<b>(1,712,769)</b>	<b>0</b>	<b>30,686,225</b>
<b>Capital Assets, Net</b>	<b>\$33,494,332</b>	<b>(\$1,467,769)</b>	<b>(\$277,681)</b>	<b>\$31,748,882</b>

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

<b>Instruction:</b>	
Regular	\$740,062
Special	323,042
Vocational	25,598
<b>Support Services:</b>	
Pupils	59,488
Instructional Staff	51,016
Administration	110,505
Fiscal	25,382
Operation and Maintenance of Plant	203,857
Pupil Transportation	324,238
Operation of Non-Instructional Services	124,453
Extracurricular Activities	290,103
<b>Total Depreciation Expense</b>	<b>\$2,277,744</b>

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 10 – INTERFUND ACTIVITY**

***A. Transfers***

For the fiscal year ended June 30, 2015, transfers in and out that resulted from various interfund transactions were as follows:

	Transfer To	Transfer From
<b>General Fund</b>	\$0	\$838,000
<b>Permanent Improvement Fund</b>	600,000	0
<b>Other Governmental Funds:</b>		
Food Service	150,000	0
Athletics	88,000	0
Total Other Governmental Funds	238,000	0
Total All Funds	\$838,000	\$838,000

The General Fund transferred monies to the Permanent Improvement, Food Service, and Athletics Funds to subsidize these funds.

***B. Interfund Balances***

Interfund balances at June 30, 2015, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	Interfund Receivables	Interfund Payables
<b>General Fund</b>	\$66,174	\$0
<b>Other Governmental Funds:</b>		
Race to the Top	0	7,540
Title VI-B	0	55,443
Miscellaneous Federal Grants	0	3,191
Total Other Governmental Funds	0	66,174
Total All Funds	\$66,174	\$66,174



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 11 – 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 2015, the School District contracted with The Argonaut Insurance Group for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$10,000	\$62,797,824
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Automobile:		
Combined Single Limit	0	1,000,000
Uninsured Motorist	0	100,000
Underinsured Motorist	0	100,000
Excess Liability:		
Each Occurrence	0	5,000,000
Aggregate Limit	0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2014.

***B. Workers' Compensation***

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control, and actuarial services to the GRP.

**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, which is more fully described in Note 21.

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pension is a present obligation because it was created as a result of employment exchanges that already have occurred.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 12 -DEFINED BENEFIT PENSION PLANS (Continued)**

**Net Pension Liability** (continued)

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is present as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified bases of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 12 -DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description - School Employees Retirement System (SERS) (continued)**

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$311,056 for fiscal year 2015. Of this amount \$24,312 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 12 -DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description - State Teachers Retirement System (STRS) (continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$1,031,035 for fiscal year 2015. Of this amount \$162,884 is reported as an intergovernmental payable.

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability reported as of June 30, 2015 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,941,969	\$16,930,420	\$20,872,389
Proportion of the Net Pension Liability	0.077890%	0.06960531%	
Pension Expense	\$231,820	\$782,170	\$1,013,990

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 -DEFINED BENEFIT PENSION PLANS (Continued)**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
Differences between expected and actual economic experience	\$33,550	\$162,992	\$196,542
Differences between School District contributions and proportionate share of contributions	50,743	-	50,743
School District contributions subsequent to the measurement date	358,399	990,072	1,348,471
<b>Total</b>	<b>\$442,692</b>	<b>\$1,153,064</b>	<b>\$1,595,756</b>

  

<b>Deferred Inflows of Resources</b>	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
Differences between projected and actual investment earnings	\$639,793	\$3,132,192	\$3,771,985
Differences between School District contributions and proportionate share of contributions	-	56,205	56,205
<b>Total</b>	<b>\$639,793</b>	<b>\$3,188,397</b>	<b>\$3,828,190</b>

\$1,348,471 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
2016	(\$138,875)	(\$756,351)	(\$895,226)
2017	(138,875)	(756,351)	(895,226)
2018	(138,875)	(756,351)	(895,226)
2019	(138,875)	(756,352)	(895,227)
<b>Total</b>	<b>(\$555,500)</b>	<b>(\$3,025,405)</b>	<b>(\$3,580,905)</b>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 12 -DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - SERS (continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 12 -DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - SERS (continued)**

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$5,624,018	\$3,941,969	\$2,527,220

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 12 -DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – STRS (continued)**

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$24,237,742	\$16,930,420	\$10,750,885

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, 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, 2015*

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**NOTE 13 – POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2015, while 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$0, \$76,440, and \$71,763, for fiscal years 2015, 2014, and 2013, respectively; which equaled the required allocations for those years.

**School Employees Retirement System**

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers a postemployment benefit plan.

**Health Care Plan**

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2015, 2014, and 2013, the health care allocations were 0.82 percent, 0.14 percent, and 0.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2015, 2014, and 2013 fiscal years equaled \$61,873, \$38,865, and \$38,339, respectively, which equaled the required allocation for each year.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)**

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**NOTE 14 – EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Outstanding 6/30/2014*	Additions	Deductions	Outstanding 6/30/15	Due in One Year
<b>Governmental Activities:</b>					
HB 264 Energy Conservation - 2.95%:					
General Obligations Notes	\$990,000	\$0	\$110,000	\$880,000	\$115,000
Lease - Purchase Agreement	1,350,000	0	155,000	1,195,000	160,000
Net Pension Liability:					
STRS	20,167,406	0	3,236,986	16,930,420	0
SERS	4,631,868	0	689,899	3,941,969	0
Compensated Absences	1,148,005	1,302,874	1,303,170	1,147,709	20,056
Total Governmental Activities	<u>\$28,287,279</u>	<u>\$1,302,874</u>	<u>\$5,495,055</u>	<u>\$24,095,098</u>	<u>\$295,056</u>

\* As restated, see Note 21.

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

In accordance with the lease terms, the project assets are leased to Capital One Public Funding, and then subleased back to the School District. The lease-purchase agreement was issued through a series of annual leases with an initial lease term of ten years which includes the right to renew for ten successive one-year terms through December 1, 2021, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2.95 percent. The lease and note payments are being made from the General Fund. For the leased assets related to the governmental funds, capital assets acquired by lease have been capitalized in the government-wide financial statements in an amount of \$1,670,000.

Annual debt service requirements to retire the House Bill 264 Energy Conservation Notes outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2016	\$115,000	\$24,264	\$139,264
2017	120,000	20,798	140,798
2018	120,000	17,258	137,258
2019	125,000	13,644	138,644
2020	130,000	9,883	139,883
2021-2022	270,000	7,964	277,964
Total	<u>\$880,000</u>	<u>\$93,811</u>	<u>\$973,811</u>

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	
2016	\$ 192,893
2017	188,172
2018	188,379
2019	188,437
2020	188,349
Thereafter	<u>375,841</u>
Total Minimum Lease Payments	1,322,071
Less: Amounts Representing Interest	<u>(127,071)</u>
Present Value of Minimum Lease Payments	<u>\$1,195,000</u>

The compensated absences payable will be paid from the fund from which the employees' salaries are paid, which includes the General Fund, and the Food Service, Public School Preschool, Title VI-B, Title I, and the Improving Teacher Quality Special Revenue Funds. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$22,624,911, with an unvoted debt margin of \$1,121,588 at June 30, 2015.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

***A. South Central Ohio Computer Association Council of Governments***

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities and 60 non-public education entities. The organization was formed for 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 COG consists of two representatives from each of the eleven participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA COG is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid SCOCA COG \$132,858 for services provided during the year. Financial information for SCOCA COG can be obtained from Sandee Benson, P.O. Box 596, 175 Beaver Creek, Suite 2, Piketon, Ohio 45661.

***B. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District paid \$0 to the Coalition for services provided during the year. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**NOTE 17 – INSURANCE PURCHASING POOLS**

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

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

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

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The Board of Directors exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the Council.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 18 - CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

***B. Litigation***

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

***C. Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**NOTE 19 – SET ASIDE CALCULATIONS**

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

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

	Capital Improvements	Budget Stabilization
Set-Aside Balance as of as of June 30, 2014	\$0	\$124,918
Current Year Set-Aside Requirement	253,143	0
Current Year Offsets	(78,385)	0
Qualifying Expenditures	(250,445)	0
Totals	(\$75,687)	\$124,918
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0	\$124,918
Set-Aside Balance as of June 30, 2015	\$0	\$124,918

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 20 – COMMITMENTS**

***A. Contractual***

As of June 30, 2015, the School District’s contractual purchase commitments from the Permanent Improvement Fund for the bus garage project is as follows:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/15</u>
Bus Garage	Mullins Construction Co., Inc.	\$321,746	\$195,000	\$126,746

***B. Encumbrances***

At June 30, 2015, the School District had significant encumbrance commitments in the following governmental funds:

<u>Fund</u>	<u>Amount</u>
Major Funds:	
General	\$455,408
Permanent Improvement	147,746
Total Encumbrances	<u>\$603,154</u>

**NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF BALANCES**

For 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The School District reclassified a fund during the current fiscal year to meet the requirements of GASB Statement No. 54. The reclassification of funds and the impact of the application of Statement No. 68 and Statement No. 71 had the following effect on beginning net position and fund balance.

The assets and liabilities of the Agency Fund as of July 1, 2014 were reduced by \$44,377 due to the fund reclassification.

	<u>General Fund</u>
Fund balance, July 1, 2014-As previously stated	\$3,122,789
Reclassification of Funds	<u>44,377</u>
Fund balance, July 1, 2014-As restated	<u>\$3,167,166</u>

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF BALANCES (Continued)**

	Government <u>Activities</u>
Net position, July 1, 2014-As previously stated	\$37,498,871
School District Share of Beginning Plan Net Pension Liability	(24,799,274)
School District Share of 2014 Employer Contributions	1,359,970
Reclassification of Funds	<u>44,377</u>
 Net position, July 1, 2014-As restated	 <u>\$14,103,944</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 22 – SUBSEQUENT EVENTS**

Effective January 4, 2016, the School District is a participant in the Metropolitan Educational technology Association (META) Solutions, as a result of the merger of the South Central Ohio Computer Association Council of Governments (SCOCACoG) with META Solutions. META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Voluntary Education Cooperative (SEOVEC), and SCOCACoG also merged with META Solutions on January 4, 2016. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of fourteen members from member districts.

**Rock Hill Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Years*

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.077890%	0.077890%
School District's proportionate share of the net pension liability	\$ 3,941,969	\$ 4,631,868
School District's covered-employee payroll	\$ 2,263,326	\$ 2,138,143
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	216.63%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%



**Rock Hill Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Years*

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.06960531%	0.06960531%
School District's proportionate share of the net pension liability	\$ 16,930,420	\$ 20,167,406
School District's covered-employee payroll	\$ 7,111,962	\$ 7,412,615
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	272.07%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

**Rock Hill Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 311,056	\$ 313,697	\$ 295,919	\$ 274,766	\$ 266,235	\$ 474,938	\$ 265,864	\$ 247,358	\$ 262,358	\$ 285,664
Contributions in relation to the contractually required contribution	(311,056)	(313,697)	(295,919)	(274,766)	(266,235)	(474,938)	(265,864)	(247,358)	(262,358)	(285,664)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$2,360,061	\$2,263,326	\$2,138,143	\$2,042,870	\$2,118,019	\$3,507,666	\$2,701,870	\$2,518,921	\$2,456,536	\$2,700,038
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**Rock Hill Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,031,035	\$ 924,555	\$ 963,640	\$ 945,175	\$ 1,088,484	\$ 1,106,317	\$ 1,097,456	\$ 981,035	\$ 959,335	\$ 942,390
Contributions in relation to the contractually required contribution	(1,031,035)	(924,555)	(963,640)	(945,175)	(1,088,484)	(1,106,317)	(1,097,456)	(981,035)	(959,335)	(942,390)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 7,364,536	\$ 7,111,962	\$ 7,412,615	\$ 7,270,577	\$ 8,372,954	\$ 8,510,131	\$ 8,441,969	\$ 7,546,423	\$ 7,379,500	\$ 7,249,154
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Rock Hill Local School District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2015*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$163,448	\$0	\$163,448	\$0
National School Lunch Program	3L60	10.555	309,385	42,352	309,385	42,352
Total Child Nutrition Cluster			472,833	42,352	472,833	42,352
<b>Total United States Department of Agriculture</b>			<b>472,833</b>	<b>42,352</b>	<b>472,833</b>	<b>42,352</b>
<b><u>United States Department of Education</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	301,382	0	360,482	0
Title I Grants to Local Educational Agencies	3M00	84.010	827,552	0	831,116	0
State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	103,390	0	118,423	0
Improving Teacher Quality State Grants	3Y60	84.367	122,619	0	117,880	0
Rural Education	3Y80	84.358	23,869	0	30,509	0
<b>Total United States Department of Education</b>			<b>1,378,812</b>	<b>0</b>	<b>1,458,410</b>	<b>0</b>
<b>Total Federal Financial Assistance</b>			<b>\$1,851,645</b>	<b>\$42,352</b>	<b>\$1,931,243</b>	<b>\$42,352</b>

**Rock Hill Local School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rock Hill Local School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 8, 2016, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68," and restated beginning net position as a result of implementations.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

### **School District's Response to Finding**

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

March 8, 2016

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited Rock Hill Local School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

The School District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004, that we consider to be significant deficiencies.

The School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Rock Hill Local School District  
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

March 8, 2016

**Rock Hill Local School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2015*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	Yes
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		Yes
Identification of major program(s):		Nutrition Cluster (CFDA #10.555, 10.553) Title I Grants to Local Educational Agencies (CFDA #84.010)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		No

**Section II – Financial Statement Findings**

**Finding 2015-001 – Material Weakness – Capital Assets**

The School District has a capital asset policy that states the asset threshold, classifications, cost basis, disposal procedures, reporting protocol, and standing data requirement for all capital assets. However, the School District’s policy does not state the useful life of each of the capital asset classifications. In addition, the School District has not had an appraisal of its capital assets in several years and does not have a tracking system in place for its capital assets.

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

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

**Client Response:**

The School District is in the process of having a new district capital asset report compiled.

**Rock Hill Local School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2015*

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**Finding 2015-002 – Material Weakness – Financial Reporting**

A monitoring system should be in place to prevent or detect misstatements for the fair presentation of the School District’s financial statements. During the course of our testing, we identified various errors and misclassifications within the financial records and financial statements. Certain items were corrected in the accompanying financial statements. Other items were considered immaterial and correction was waived by auditors and management. The School District should implement monitoring procedures to ensure that items are properly recorded and classified during the fiscal year.

**Client Response:**

The School District will correct how it receipts in the state foundation.

<b>Section III – Federal Award Findings and Questioned Costs</b>
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<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies, CFDA #84.010
<b>Federal Award Number and Year</b>	2014-2015
<b>Federal Agency</b>	US Department of Education
<b>Pass-Through Entity</b>	Ohio Department of Education

**Finding 2015-003 – Significant Deficiency/Noncompliance – Cash Management**

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. Ohio Department of Education Project Cash Request Instructions state payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the Cash Management Act 31 CFR part 205, the time lapse between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds are to be expended within the period of time for which they are requested (e.g. funds requested for January should be expended during January.)

The School District did not always expend funds received by the end of the month for which funds were requested. The School District should ensure that all funds received are expended by the end of the month in which they are received to ensure compliance with Cash Management requirements.

**Responsible Official’s Response and Corrective Action Planned:**

The Treasurer will set up a cash request system with the Assistant Superintendent so that funds are requested after the last pay of the month.

**Planned Implementation Date of Corrective Action:**

March 10, 2016

**Person Responsible for Corrective Action:**

Treasurer’s office.

**Rock Hill Local School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2015*

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<b>CFDA Title and Number</b>	Nutrition Cluster, CFDA #10.553 and #10.555
<b>Federal Award Number and Year</b>	2014-2015
<b>Federal Agency</b>	US Department of Agriculture
<b>Pass-Through Entity</b>	Ohio Department of Education

**Finding 2015-004 – Significant Deficiency/Noncompliance – Suspension and Debarment**

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). For the Nutrition Cluster, the School District did not maintain support showing they checked the EPLS database prior to entering into covered transactions with Modern Foods. The School District should implement additional procedures to ensure that they verify that entities are not suspended or debarred prior to entering into a covered transaction with an entity, and should maintain documentation to evidence this verification.

**Responsible Official’s Response and Corrective Action Planned:**

The Treasurer will work with the Superintendent’s Secretary to ensure that the EPLS database is checked and records are maintained prior to entering into all covered transactions.

**Planned Implementation Date of Corrective Action:**

March 10, 2016

**Person Responsible for Corrective Action:**

Treasurer’s office.

**Rock Hill Local School District**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Fiscal Year Ended June 30, 2015*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2014-01	Material Weakness – Capital Asset Policy	No	Reissued as finding 2015-001
Finding 2014-02	Noncompliance Citation – Reporting – Special Education (CFDA #84.027) and Title I (CFDA #84.010)	Yes	



# Dave Yost • Auditor of State

**ROCK HILL LOCAL SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 31, 2016**