



Dave Yost • Auditor of State

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Fund Net Assets – Internal Service Fund.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund	19
Statement of Cash Flows – Internal Service Fund	20
Statement of Fiduciary Net Assets – Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	22
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	55
Schedule of Findings – OMB Circular A-133 § .505	57
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	59
Independent Accountant's Report on Applying Agreed-Upon Procedure	61

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Rolling Hills Local School District
Guernsey County
P.O. Box 38
Byesville, Ohio 43723

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on March 24, 2006 due to the School District's declining financial condition. Note 21 to the financial statements describes management's plans regarding these matters, and the School District's current financial status. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 8, 2012

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Rolling Hills Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$1,931,960.
- General revenues accounted for \$16,181,035 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$4,440,617, or 22 percent of total revenues of \$20,621,652.
- Total assets of the School District increased \$1,181,390 due primarily to increases in cash and cash equivalents and property taxes receivables.
- The School District had \$18,689,692 in expenses related to governmental activities; only \$4,440,617 of these expenses were offset by program specific charges for services, grants and contributions. General revenues in the amount of \$16,181,035 were adequate to provide for these programs.
- Total Governmental Funds had revenues in the amount of \$20,567,592 and expenditures in the amount of \$18,345,156. Total fund balances, including other financing sources and uses, increased \$2,222,436.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Fund

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. 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 fund. The School District's major governmental fund is the General Fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Current and Other Assets	\$11,732,467	\$10,029,560	\$1,702,907
Capital Assets	12,390,834	12,912,351	(521,517)
Total Assets	<u>24,123,301</u>	<u>22,941,911</u>	<u>1,181,390</u>
Liabilities			
Long-Term Liabilities	1,864,658	2,058,073	(193,415)
Other Liabilities	6,106,569	6,663,724	(557,155)
Total Liabilities	<u>7,971,227</u>	<u>8,721,797</u>	<u>(750,570)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,763,861	12,237,751	(473,890)
Restricted	724,566	717,267	7,299
Unrestricted	3,663,647	1,265,096	2,398,551
Total Net Assets	<u>\$16,152,074</u>	<u>\$14,220,114</u>	<u>\$1,931,960</u>

Total assets increased \$1,181,390. The increase in current assets is primarily due to increases in cash and cash equivalents as well as property taxes receivable. Capital assets decreased primarily due to annual depreciation.

Total liabilities decreased \$750,570. Long-term liabilities decreased primarily due to decreases in retirement incentive payable as well as annual scheduled debt service payments. The decrease in other liabilities was primarily due to decreases in deferred revenue, contracts payable and accrued wages and benefits.

As a result, total net assets increased by \$1,931,960.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for fiscal year 2011, and comparisons to fiscal year 2010.

Table 2
Change in Net Assets

Revenues	Governmental Activities		
	2011	2010	Change
Program Revenues			
Charges for Services	\$1,105,881	\$1,013,416	\$92,465
Operating Grants and Contributions	3,334,736	2,340,857	993,879
Total Program Revenues	<u>4,440,617</u>	<u>3,354,273</u>	<u>1,086,344</u>
General Revenue			
Property Taxes	6,051,689	4,159,367	1,892,322
Grants and Entitlements	9,991,923	10,636,387	(644,464)
Investment Earnings	10,573	10,996	(423)
Gifts and Donations	98,578	0	98,578
Miscellaneous	28,272	207,825	(179,553)
Total General Revenues	<u>16,181,035</u>	<u>15,014,575</u>	<u>1,166,460</u>
Total Revenues	<u>20,621,652</u>	<u>18,368,848</u>	<u>2,252,804</u>
Program Expenses			
Instruction:			
Regular	7,425,962	8,362,600	(936,638)
Special	2,241,480	2,171,076	70,404
Vocational	287,687	344,032	(56,345)
Intervention	1,252,480	28,648	1,223,832
Support Services:			0
Pupils	498,747	624,951	(126,204)
Instructional Staff	1,238,347	1,245,910	(7,563)
Board of Education	22,743	29,395	(6,652)
Administration	1,163,097	1,275,001	(111,904)
Fiscal	699,240	594,998	104,242
Operation and Maintenance of Plant	1,715,608	1,660,136	55,472
Pupil Transportation	857,151	891,511	(34,360)
Central	46,941	7,724	39,217
Operation of Non-Instructional Services:			0
Food Service Operations	940,052	1,011,606	(71,554)
Other Non-Instructional Services	4,322	7,351	(3,029)
Extracurricular Activities	269,407	278,129	(8,722)
Interest	26,428	5,552	20,876
Total Expenses	<u>18,689,692</u>	<u>18,538,620</u>	<u>151,072</u>
Change in Net Assets	1,931,960	(169,772)	2,101,732
Net Assets Beginning of Year	<u>14,220,114</u>	<u>14,389,886</u>	<u>(169,772)</u>
Net Assets End of Year	<u>\$16,152,074</u>	<u>\$14,220,114</u>	<u>\$1,931,960</u>

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Property taxes comprise approximately 29 percent of revenues for governmental activities for Rolling Hills Local School District in fiscal year 2011. Property tax revenues increased \$1,892,322 from the prior fiscal year primarily due to increases in assessed valuations due to the Rockies Express natural gas pipeline that is being constructed within the School District's boundaries. Total program revenue increased from the prior year primarily due to increases in operating grants and contributions related to the School District participating in the federal Race to the Top grant program as well as other program specific federal monies.

In total, operating expenses increased slightly as the School District continues to monitor spending.

Instructional programs comprise approximately 60 percent of total governmental program expenses, and reflected an increase of \$301,253 from the prior year. The increase was due to rising costs related to instruction. The increase was offset slightly by decreases in support services as well as non-instructional service expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction:				
Regular	\$7,425,962	\$6,441,545	\$8,362,600	\$7,644,445
Special	2,241,480	1,446,885	2,171,076	1,559,381
Vocational	287,687	167,067	344,032	224,865
Intervention	1,252,480	1,252,480	28,648	10,383
Support Services:				
Pupils	498,747	470,615	624,951	542,741
Instructional Staff	1,238,347	595,534	1,245,910	750,219
Board of Education	22,743	22,743	29,395	29,395
Administration	1,163,097	641,742	1,275,001	1,269,705
Fiscal	699,240	677,229	594,998	594,998
Operation and Maintenance of Plant	1,715,608	1,649,650	1,660,136	1,615,614
Pupil Transportation	857,151	836,727	891,511	843,558
Central	46,941	42,927	7,724	5,504
Operation of Non-Instructional Services:				
Food Service Operation	940,052	(29,235)	1,011,606	(239)
Other Non-Instructional Services	4,322	622	7,351	3,940
Extracurricular Activities	269,407	6,116	278,129	84,286
Interest	26,428	26,428	5,552	5,552
Total Expenses	<u>\$18,689,692</u>	<u>\$14,249,075</u>	<u>\$18,538,620</u>	<u>\$15,184,347</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, with 76 percent of the School District's activities being supported primarily through taxes and intergovernmental revenues.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had \$16,956,512 in revenues and \$14,590,414 in expenditures. The General Fund's balance, including other financing uses, increased \$2,296,098.

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 2011, the School District amended its General Fund budget, and the budgetary statement reflects both original and final budgeted amounts. There was no significant variance between original and final budgeted amounts or final budgeted and actual with regards to revenues. For appropriations, there was not a significant variance between original and final budgeted amounts. Actual expenses varied from final appropriations as spending in almost all categories was less than budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$12,390,834 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 9 for additional information regarding capital assets.

Debt

At June 30, 2011 the School District had \$696,890 outstanding in energy conservation notes, with \$40,000 due within one year. See Note 16 for more detailed information of the School District's debt.

Economic Factors

The School District ended fiscal year 2011 with an overall increase in net assets. Based on the current financial situation, the School District will be proactive in maintaining a balanced budget for the 2012 fiscal year. The athletic activities are being supported by athletic booster donations and fees collected in a pay-to-participate program. The School District's emergency replacement levy passed on the November 2011 ballot and will maintain revenues of approximately \$1,400,000 annually. Based on these factors, the Board of Education and Administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure the future financial stability of the School District.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Jeffrey Walters, Treasurer/CFO at Rolling Hills Local School District, P.O. Box 38, Byesville, Ohio 43723.

This page intentionally left blank.

Rolling Hills Local School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,806,692
Accounts Receivable	10,309
Intergovernmental Receivable	280,375
Prepaid Items	36,029
Materials and Supplies Inventory	102,516
Property Taxes Receivable	7,465,695
Deferred Charges	30,851
Nondepreciable Capital Assets	214,502
Depreciable Capital Assets, Net	12,176,332
 Total Assets	 24,123,301
Liabilities	
Accounts Payable	214,575
Accrued Wages and Benefits Payable	1,593,307
Intergovernmental Payable	423,474
Matured Compensated Absences Payable	76,130
Accrued Interest Payable	1,050
Claims Payable	276,426
Deferred Revenue	3,521,607
Long-Term Liabilities:	
Due Within One Year	293,825
Due In More Than One Year	1,570,833
 Total Liabilities	 7,971,227
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,763,861
Restricted for:	
Debt Service	704
Building Maintenance	218,315
Food Service Operation	1,115
Federal Programs	82,141
State Programs	21,877
Other Purposes	63,946
Textbooks and Instructional Materials	296,928
Bus Purchase	37,456
Unclaimed Monies	2,084
Unrestricted	3,663,647
 Total Net Assets	 \$16,152,074

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net Expense and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$7,425,962	\$560,977	\$423,440	(\$6,441,545)
Special	2,241,480	0	794,595	(1,446,885)
Vocational	287,687	0	120,620	(167,067)
Intervention	1,252,480	0	0	(1,252,480)
Support Services:				
Pupils	498,747	0	28,132	(470,615)
Instructional Staff	1,238,347	0	642,813	(595,534)
Board of Education	22,743	0	0	(22,743)
Administration	1,163,097	0	521,355	(641,742)
Fiscal	699,240	0	22,011	(677,229)
Operation and Maintenance of Plant	1,715,608	17,610	48,348	(1,649,650)
Pupil Transportation	857,151	17,780	2,644	(836,727)
Central	46,941	0	4,014	(42,927)
Operation of Non-Instructional Services:				
Food Service Operations	940,052	246,223	723,064	29,235
Other Non-Instructional Services	4,322	0	3,700	(622)
Extracurricular Activities	269,407	263,291	0	(6,116)
Interest	26,428	0	0	(26,428)
Total Governmental Activities	\$18,689,692	\$1,105,881	\$3,334,736	(14,249,075)
General Revenues				
Property Taxes Levied for General Purpose				6,051,689
Grants and Entitlements not Restricted to Specific Programs				9,991,923
Contributions and Donations				98,578
Investment Earnings				10,573
Miscellaneous				28,272
Total General Revenues				16,181,035
Change in Net Assets				1,931,960
Net Assets Beginning of Year				14,220,114
Net Assets End of Year				\$16,152,074

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,220,706	\$519,603	\$2,740,309
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	336,468	0	336,468
Accounts Receivable	10,309	0	10,309
Interfund Receivable	63,812	24,718	88,530
Intergovernmental Receivable	26,348	254,027	280,375
Prepaid Items	35,446	583	36,029
Materials and Supplies Inventory	80,709	21,807	102,516
Property Taxes Receivable	7,465,695	0	7,465,695
Total Assets	<u>\$10,239,493</u>	<u>\$820,738</u>	<u>\$11,060,231</u>
Liabilities			
Matured Compensated Absences Payable	\$76,130	\$0	\$76,130
Accounts Payable	198,348	14,753	213,101
Accrued Wages and Benefits Payable	1,343,253	250,054	1,593,307
Interfund Payable	24,718	63,812	88,530
Deferred Revenue	5,738,812	45,453	5,784,265
Intergovernmental Payable	308,836	114,638	423,474
Total Liabilities	<u>7,690,097</u>	<u>488,710</u>	<u>8,178,807</u>
Fund Balances (Deficit)			
Nonspendable:			
Inventories	80,709	21,807	102,516
Prepaid Items	35,446	583	36,029
Unclaimed Monies	2,084	0	2,084
Restricted for:			
Restricted for Debt Service	0	35,356	35,356
Restricted for Textbooks and Instructional Materials	296,928	0	296,928
Restricted for Bus Purchase	37,456	0	37,456
Restricted for State Programs	0	21,294	21,294
Restricted for Federal Programs	0	50,411	50,411
Restricted for Other Purposes	0	63,946	63,946
Restricted for Classroom Facilities Maintenance	0	218,315	218,315
Unassigned	2,096,773	(79,684)	2,017,089
Total Fund Balances	<u>2,549,396</u>	<u>332,028</u>	<u>2,881,424</u>
Total Liabilities and Fund Balances	<u>\$10,239,493</u>	<u>\$820,738</u>	<u>\$11,060,231</u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Fund Balances		\$2,881,424
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,390,834
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property Taxes	2,180,548	
Grants	45,453	
Tuition and Fees	36,657	
Total		2,262,658
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		30,851
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		452,015
Long-term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Notes Serial/Term	(630,000)	
Capital Appreciation Notes	(27,824)	
Accretion of Interest - Capital Appreciation Notes	(5,464)	
Bond Premium	(33,602)	
Retirement Incentive	(152,000)	
Compensated Absences	(1,015,768)	
Accrued Interest Payable	(1,050)	
Total		(1,865,708)
Net Assets of Governmental Activities		\$16,152,074

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$6,034,867	\$0	\$6,034,867
Intergovernmental	10,158,603	3,151,024	13,309,627
Interest	10,573	0	10,573
Tuition and Fees	534,683	123,041	657,724
Extracurricular Activities	86,293	77,825	164,118
Rentals	7,268	10,342	17,610
Charges for Services	0	246,223	246,223
Contributions and Donations	96,978	1,600	98,578
Miscellaneous	27,247	1,025	28,272
Total Revenues	16,956,512	3,611,080	20,567,592
Expenditures			
Current:			
Instruction:			
Regular	6,828,397	440,769	7,269,166
Special	1,479,270	772,574	2,251,844
Vocational	357,951	0	357,951
Intervention	1,252,480	0	1,252,480
Support Services:			
Pupils	472,404	29,903	502,307
Instructional Staff	545,628	673,009	1,218,637
Board of Education	22,743	0	22,743
Administration	591,317	528,147	1,119,464
Fiscal	706,422	0	706,422
Operation and Maintenance of Plant	1,430,962	70,318	1,501,280
Pupil Transportation	782,918	22,603	805,521
Central	34,202	10,157	44,359
Operation of Non-Instructional Services:			
Food Service Operations	0	931,797	931,797
Other Non-Instructional Services	211	4,111	4,322
Extracurricular Activities	31,008	200,064	231,072
Capital Outlay	54,501	0	54,501
Debt Service:			
Principal Retirement	0	50,000	50,000
Interest and Fiscal Charges	0	21,290	21,290
Total Expenditures	14,590,414	3,754,742	18,345,156
Excess of Revenues Over (Under) Expenditures	2,366,098	(143,662)	2,222,436
Other Financing Sources (Uses)			
Transfers In	0	70,000	70,000
Transfers Out	(70,000)	0	(70,000)
Total Other Financing Sources (Uses)	(70,000)	70,000	0
Net Change in Fund Balances	2,296,098	(73,662)	2,222,436
Fund Balances Beginning of Year - (Restated - Note 3)	253,298	405,690	658,988
Fund Balances End of Year	\$2,549,396	\$332,028	\$2,881,424

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$2,222,436

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

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

Capital Asset Additions	5,000	
Depreciation Expense	(510,835)	
Total	(505,835)	(505,835)

The cost of the capital assets is removed from the capital asset account on the statement of net assets, resulting in a loss on disposal of capital assets on the statement of activities. (15,682)

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

Grants	17,032	
Taxes	16,822	
Tuition and Fees	20,206	
Total	54,060	54,060

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 50,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premium	2,585	
Annual Accretion	(5,464)	
Amortization of Issuance Costs	(2,373)	
Interest Payable	114	
Total	(5,138)	(5,138)

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

Early Retirement Incentive Payable	192,000	
Compensated Absences Payable	(45,706)	
Total	146,294	146,294

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (14,175)

Change in Net Assets of Governmental Activities \$1,931,960

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,675,257	\$4,707,741	\$4,654,058	(\$53,683)
Intergovernmental	10,129,722	10,200,107	10,221,447	21,340
Interest	0	0	10,573	10,573
Tuition and Fees	545,447	549,237	534,683	(14,554)
Extracurricular Activities	77,921	78,462	86,293	7,831
Rentals	0	0	7,268	7,268
Contributions and Donations	77,921	78,462	96,978	18,516
Miscellaneous	77,921	78,462	34,959	(43,503)
Total Revenues	15,584,189	15,692,471	15,646,259	(46,212)
Expenditures				
Current:				
Instruction:				
Regular	7,129,703	7,348,891	6,823,785	525,106
Special	1,547,177	1,595,423	1,464,601	130,822
Vocational	394,530	406,775	361,015	45,760
Intervention	1,332,946	1,374,580	1,252,480	122,100
Support Services:				
Pupils	474,526	489,220	484,799	4,421
Instructional Staff	629,314	648,906	551,800	97,106
Board of Education	23,523	24,257	23,410	847
Administration	650,582	670,174	632,184	37,990
Fiscal	803,000	827,490	730,390	97,100
Operation and Maintenance of Plant	2,131,159	2,180,139	1,517,091	663,048
Pupil Transportation	826,472	852,187	890,421	(38,234)
Central	40,004	41,229	32,972	8,257
Operation of Non-Instructional Services:				
Other Non-Instructional Services	0	0	211	(211)
Extracurricular Activities	0	0	30,872	(30,872)
Capital Outlay	794,462	807,932	418,631	389,301
Total Expenditures	16,777,398	17,267,203	15,214,662	2,052,541
Excess of Revenues Over (Under) Expenditures	(1,193,209)	(1,574,732)	431,597	2,006,329
Other Financing Uses				
Transfers Out	0	0	(70,000)	(70,000)
Net Change in Fund Balance	(1,193,209)	(1,574,732)	361,597	1,936,329
Fund Balance Beginning of Year	804,469	804,469	804,469	0
Prior Year Encumbrances Appropriated	1,095,679	1,095,679	1,095,679	0
Fund Balance End of Year	\$706,939	\$325,416	\$2,261,745	\$1,936,329

See accompanying notes to the basic financial statements

Rolling Hills Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2011

	Medical-Dental-Prescription Self-Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$729,915
Current Liabilities	
Accounts Payable	1,474
Claims Payable	276,426
Total Liabilities	277,900
Net Assets	
Unrestricted	\$452,015

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Medical-Dental-Prescription Self-Insurance
Operating Revenues	
Charges for Services	\$2,962,170
Operating Expenses	
Purchased Services	448,209
Claims	2,528,136
Total Operating Expenses	2,976,345
Change in Net Assets	(14,175)
Net Assets at Beginning of Year	466,190
Net Assets at End of Year	\$452,015

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Medical-Dental-Prescription Self-Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,962,170
Cash Payments for Services	(446,735)
Cash Payments for Claims	(2,477,626)
	37,809
Net Cash Provided by Operating Activities	37,809
Cash and Cash Equivalents Beginning of Year	692,106
	692,106
Cash and Cash Equivalents End of Year	\$729,915
	\$729,915
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$14,175)
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	9,584
Increase in Accounts Payable	1,474
Increase in Claims Payable	40,926
	40,926
Total Changes in Assets and Liabilities	51,984
	51,984
Net Cash Provided by Operating Activities	\$37,809
	\$37,809

See accompanying notes to the basic financial statements

Rolling Hills Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,486	\$25,312
Cash and Cash Equivalents in Segregated Accounts	0	16,905
Cash and Cash Equivalents with Fiscal Agents	<u>965,000</u>	<u>0</u>
 Total Assets	 <u>977,486</u>	 <u><u>\$42,217</u></u>
 Liabilities		
Undistributed Monies	0	\$16,905
Due to Students	<u>0</u>	<u>25,312</u>
 Total Liabilities	 <u>0</u>	 <u><u>\$42,217</u></u>
 Net Assets		
Held in Trust for Scholarships	 <u><u>\$977,486</u></u>	

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions	
Contributions and Donations	\$967,639
Interest	10
	967,649
Deductions	
Payments in Accordance with Trust Agreements	33
	967,616
Change in Net Assets	9,870
Net Assets Beginning of Year	9,870
Net Assets End of Year	\$977,486

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board of Education. The School District provides educational services as authorized by its charter and further mandated by state and federal agencies. This Board controls the School District's six instructional support facilities staffed by 88 classified employees, 120 certificated teaching employees, and 25 administrative personnel who provide services to 1,903 students.

The Superintendent of Public Instruction declared the Rolling Hills Local School District in a state of fiscal caution effective March 24, 2006. See Note 21 for more information.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements 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 Rolling Hills Local School District, this includes general operations, food service, and student related activities of the School District.

Cherish Christian Academy operates within the School District boundaries. Current state legislation provides funding to this parochial school. These monies are received and disbursed by the School District on behalf of the parochial school and transportation is provided to their students. This activity is reflected in the Auxiliary Services Special Revenue Fund for financial reporting purposes.

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 five jointly governed organizations and one group insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Centers, the Metropolitan Educational Council, the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, and the Ohio School Boards Association Workers' Compensation Group Rating Program. Additional information concerning these organizations is presented in Notes 17 and 18.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental in nature (financed through taxes, intergovernmental receipts, or other nonexchange transactions) and those that are considered business-type activities (financed in whole or in part by fees charged to external parties for goods or services). The School District, however, has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 three categories of funds: governmental, proprietary, and fiduciary.

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

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income/loss, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Medical-Dental-Prescription Self-Insurance Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical/surgical, dental, and prescription drug claims.

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for a college scholarship program for eligible students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for faculty directed activities, student managed activities, and payroll withholdings.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Fund Net Assets. The Statement of Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust fund is reported using the economic resources measurement focus.

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

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

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

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The School District has a segregated bank account for monies held separate from the School District's central bank account. This account maintains voluntary payroll deductions associated with the School District's flexible spending program. This interest bearing depository account is presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" since it is not deposited into the School District treasury.

During fiscal year 2011, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$10,573, which includes \$4,761 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

All of the School District's capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 years
Buildings and Improvements	5-50 years
Furniture and Equipment	5-20 years
Vehicles	10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated on the Statement of Net Assets.

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a restriction for textbooks and instructional materials, unclaimed monies, and unspent revenues restricted for the purchase of buses. See Note 20 for additional information regarding set asides.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year of service with the School District.

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 after seventeen years of current service for all employees of 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 recorded in the account "matured compensated absences payable" in the funds from which these payments will be paid.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentive benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds are recognized as a liability on the governmental fund financial statements when due.

M. Bond/Note Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligation are reported as liabilities in the statement of net assets. Note premiums and discounts are deferred and amortized over the term of the notes using the straight-line method, which approximates the effective interest method. Notes/Bonds payable are reported net of the applicable note premium or discount. Note/Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Note/Bond discounts on the capital appreciation notes are deferred and accreted over the term of the notes.

Any gain/loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs, note premiums, and note discounts are recognized in the period in which the debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements.

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not 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.

O. 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 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 is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District 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. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

resources in the fund have been specifically committed for 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 School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 amounts in any of the unrestricted fund balance classifications could be used.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants restricted to expenditures for specified purposes. Of total net assets, none have been restricted by enabling legislation.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

R. Extraordinary and Special Items

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

S. Estimates

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

T. Budgetary Data

All funds, other than 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 for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are not intended to be repaid.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

Note 3 - Changes in Accounting Principles

Changes in Accounting Principles - For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

Restatement of Prior Year's Fund Balance - Due to the implementation of GASB Statement No. 54, fund reclassification occurred for one fund that had previously been reported as a special revenue fund and is now being combined with the General Fund in accordance with the new standards. The effect of the change is as follows:

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010	\$184,146	\$474,842
Restatement, Fund Classification	69,152	(69,152)
Adjusted Fund Balance, June 30, 2010	\$253,298	\$405,690

Note 4 - Accountability and Compliance

The deficit in the Miscellaneous Federal Grants special revenue fund reflects a deficit balance at June 30, 2011 in the amount of \$77,535. This deficit was created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances due to the timing of federal receipt; however, this is done when cash is needed than accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balance

GAAP Basis	\$2,296,098
Revenue Accruals	(1,310,253)
Expenditure Accruals	(265,007)
Encumbrances	(359,241)
Budget Basis	<u>\$361,597</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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of Ohio Revised Code Section 135.18 above;

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,954,745 of the School District's bank balance of \$3,889,982 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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 by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with 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.

At June 30, 2011, the School District's Private Purpose Trust Fund had a cash balance of \$965,000 held with The Foundation for Appalachian Ohio (FAO). The money is held by FAO in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. To obtain financial information regarding FAO, visit www.appalachianohio.org

Investments As of June 30, 2011, the School District had monies invested in STAROhio. The fair value of the investment in STAROhio is \$180,878 and the fund had an average maturity of 58.3 days at fiscal year end.

Interest Rate Risk. The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or permits the sale of negotiable instruments prior to maturity in accordance with the law. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment be purchased with the expectation that it will be held to maturity.

Credit Risk. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy regarding credit risk.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's 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.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Guernsey, Noble and Muskingum Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2011, \$1,728,429 was the amount available as an advance in the General Fund. At June 30, 2010, \$382,731 was available as an advance in the General Fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$171,124,010	93.82%	\$170,714,890	73.34%
Public Utility Personal	11,266,110	6.18%	62,059,240	26.66%
Total	\$182,390,120	100.00%	\$232,774,130	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$26.66		 \$24.75	

The substantial increase in assessed valuation for public utility personal is due to the new valuation related to the Rockies Express natural gas pipeline.

Note 8 - Receivables

Receivables at June 30, 2011, consisted of property taxes, intergovernmental grants and excess costs. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$2,180,548 may not be collected within one year. All other receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
IDEA Part B Grant	\$20,409
Title I Grant	63,261
Safe and Drug Free Schools Grant	4,352
Title II-A Grant	78,621
Title VI-B	34,763
Title I Neglected ARRA Grant	13,469
Title I ARRA	3,843
IDEA Part B ARRA Grant	35,309
Excess Cost	26,348
Total	\$280,375

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions		Balance June 30, 2011
Nondepreciable Capital Assets					
Land	\$214,502	\$0	\$0		\$214,502
Construction in Progress	380,276	0	(380,276)		0
Total Nondepreciable Capital Assets	<u>594,778</u>	<u>0</u>	<u>(380,276)</u>	(1)	<u>214,502</u>
Depreciable Capital Assets					
Land Improvements	704,585	365,804 (1)	0		1,070,389
Buildings and Improvements	19,010,392	0	0		19,010,392
Furniture and Equipment	1,617,231	5,000	(12,095)		1,610,136
Vehicles	1,245,046	0	0		1,245,046
Total at Historical Cost	<u>22,577,254</u>	<u>370,804</u>	<u>(12,095)</u>		<u>22,935,963</u>
Less Accumulated Depreciation					
Land Improvements	(246,940)	(34,200)	0		(281,140)
Buildings and Improvements	(7,726,276)	(389,338)	0		(8,115,614)
Furniture and Equipment	(1,291,170)	(32,571)	10,885		(1,312,856)
Vehicles	(995,295)	(54,726)	0		(1,050,021)
Total Accumulated Depreciation	<u>(10,259,681)</u>	<u>(510,835) *</u>	<u>10,885</u>		<u>(10,759,631)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>12,317,573</u>	<u>(140,031)</u>	<u>(1,210)</u>		<u>12,176,332</u>
Governmental Activities Capital Assets, Net	<u>\$12,912,351</u>	<u>(\$140,031)</u>	<u>(\$381,486)</u>		<u>\$12,390,834</u>

(1) The School District had inadvertently included costs that were not capitalized costs of the project, therefore the value of the capital asset addition was less than recorded construction in progress at June 30, 2010.

* Depreciation expense was charged to governmental functions as follows:

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Instruction:	
Regular	\$251,349
Special	171
Support Services:	
Pupils	2,280
Instructional Staff	273
Administration	3,087
Operation and Maintenance of Plant	153,819
Pupil Transportation	59,432
Extracurricular	2,664
Operation of Non-Instructional Services:	
Food Service Operations	<u>37,760</u>
Total Depreciation Expense	<u><u>\$510,835</u></u>

Note 10 - Transfers and Internal Balances

A. Transfers

Transfers made during fiscal year 2011 consist of the following:

<u>Transfer to</u>	<u>Transfer from</u>
	<u>General</u>
Miscellaneous Local Funds	\$50,000
Miscellaneous State Funds	20,000
Total	<u><u>\$70,000</u></u>

The transfers to the Miscellaneous Local Funds, and Miscellaneous State Funds Special Revenue Funds were made to move unrestricted revenues collected in the General Fund to help finance various programs accounted for in these funds in accordance with budgetary authorization.

B. Internal Balances

Interfund balances at June 30, 2011 consist of the following individual interfund receivables and payables:

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Interfund Payable	Interfund Receivable		Total
	General Fund	Other Governmental Funds	
General	\$0	\$24,718	\$24,718
Other Governmental Funds	63,812	0	63,812
Total	\$63,812	\$24,718	\$88,530

The loan made to the Other Governmental Funds was used to cover an actual cash deficit in the Miscellaneous Federal Grants Fund. The cash deficit was covered by cash and cash equivalents from the General Fund. The interfund payable in the General Fund was related to revenues received by the General Fund, that were legally due to the Debt Service Fund, Classroom Facilities Maintenance Special Revenue Fund, and the Race to the Top Special Revenue Fund, that had not been transferred accordingly prior to June 30, 2011.

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. During fiscal year 2011, the School District contracted with the Government Underwriters of America through the Schwendeman Agency Coverage provided is as follows:

Commercial Property Coverage Blanket	\$54,967,101	\$1,000 deductible
Commercial Crime Coverage	\$25,000	\$500 deductible
Computer Equipment Coverage	\$128,000	\$1,000 deductible
Special Property Coverage	\$53,045 - \$273,253	\$1,000 deductible
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Comprehensive	Cash Value	\$500 deductible
Collision	Cash Value	\$500 deductible
General Liability:		
Commercial General Liability	\$1,000,000	each occurrence
Personal and Advertising Injury	\$1,000,000	each offense
General Aggregate	\$3,000,000	
Products Aggregate	\$3,000,000	
Employee Benefits Liability	\$1,000,000	\$1,000 Deductible
Aggregate	\$3,000,000	
Employers' Liability	\$1,000,000	
Errors and Omissions	\$1,000,000	
Aggregate	\$3,000,000	
Employment Practices	\$1,000,000	
Aggregate	\$3,000,000	

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 coverage in fiscal year 2010.

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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 Comp Management. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has elected to provide employee medical/surgical, dental, and prescription drug benefits through a self-insured plan. Medical Benefits serves as claims servicer for this coverage. The claims liability of \$276,426 reported in the internal service fund at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in fiscal years 2010 and 2011 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2010	\$321,200	\$2,300,269	\$2,385,969	\$235,500
2011	235,500	2,518,552	2,477,626	276,426
(1) Claims Expense		\$2,528,136		
Decrease in Stop Loss Reimbursement Receivable		<u>(9,584)</u>		
Current Year Claims		<u><u>\$2,518,552</u></u>		

Note 12 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Vacation can be accumulated to one year's worth of accrual plus ten days. Accumulated, unused vacation time, is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than an eleven or twelve month basis do not earn vacation time.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 265 days for classified employees, administrative personnel and certified employees. Upon retirement, all employees receive payment for one-fourth of their total sick leave accumulation.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to all full-time employees through CoreSorce in the amount of \$50,000.

C. Retirement Incentive

Rolling Hills Local School District offered a retirement incentive for any employee who retired in their first year of eligibility for fiscal years ending 2006, 2007, and 2008. Qualified employees would be paid \$40,000 in installments of \$8,000 over the following 5 years. The total cost of the retirement incentive was \$960,000. During fiscal year 2011, \$192,000 was paid, leaving an outstanding balance at June 30, 2011 of \$152,000 which will be paid over the next two years.

Note 13 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$214,320, \$356,389 and \$215,983 respectively. For fiscal year 2011, 25.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$859,880 and \$13,759 for fiscal year ended June 30, 2011, \$863,588 and \$12,648 for the fiscal year ended June 30, 2010, and \$833,049 for the fiscal year ended June 30, 2009 for the DB Plan. The School District's contributions for the defined benefit portion of the Combined Plan were not available for 2009. For fiscal year 2011, 83.72 percent has been contributed for the DB Plan and 83.72 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$4,960 made by the School District and \$3,543 made by the plan members. In addition, member contributions of \$9,828 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$32,715 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$76,411, \$68,258 and \$98,844 respectively. For fiscal year 2011, 31.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$14,811, \$21,260 and \$17,820 respectively. For fiscal year 2011, 30.22 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$66,145, \$66,430 and \$64,081 respectively. For fiscal year 2011, 83.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 15 – Construction Commitment

On June 21, 2011, the School District approved a bid from Bill Birkhimer Asphalt LTD for paving of the parking lot at the Meadowbrook Middle School. The School District contracted for the project in the amount of \$305,775. As of June 30, 2011, no payment had been made on the contract.

Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2010	Additions	Reductions	Outstanding 6/30/2011	Amounts Due Within One Year
Governmental Activities					
2010 Energy Conservation Notes					
Serial/Term Notes 2.0% - 4.15%	\$680,000	\$0	\$50,000	\$630,000	\$40,000
Capital Appreciation Notes 14.41%	27,824	0	0	27,824	0
Capital Appreciation Notes-					
Accretion of Interest	0	5,464	0	5,464	0
Premium	36,187	0	2,585	33,602	0
Total Energy Conservation Notes	744,011	5,464	52,585	696,890	40,000
Retirement Incentive	344,000	0	192,000	152,000	96,000
Compensated Absences Payable	970,062	148,140	102,434	1,015,768	157,825
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,058,073</u>	<u>\$153,604</u>	<u>\$347,019</u>	<u>\$1,864,658</u>	<u>\$293,825</u>

2010 Energy Conservation Notes – On March 11, 2010, Rolling Hills Local School District issued \$707,824 of general obligation notes, pursuant to House Bill 264. The notes were issued to finance an energy conservation project. The notes were issued at 2.0 – 4.15 percent interest rate. The issuance of the notes included a \$38,772 premium and \$35,597 in note issuance costs that will be amortized over the life of the issue, with a final maturity at December 1, 2024. \$2,373 in issuance costs were amortized during fiscal year 2011.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

As part of the note issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of Aa3 from Moody's Investors Service for the note issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

The Current Interest Term Notes maturing on December 1, 2014, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2011	\$40,000
2012	45,000
2013	50,000

The remaining principal amount of such Current Interest Term Notes (\$50,000) will be paid at stated maturity on December 1, 2014.

The Current Interest Term Notes maturing on December 1, 2017, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2015	\$45,000
2016	50,000

The remaining principal amount of such Current Interest Term Notes (\$50,000) will be paid at stated maturity on December 1, 2017.

The Current Interest Term Notes maturing on December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2020	\$60,000
2021	60,000
2022	60,000
2023	60,000

The remaining principal amount of such Current Interest Term Notes (\$60,000) will be paid at stated maturity on December 1, 2024.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The Current Interest Notes maturing on or after December 1, 2020 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after June 1, 2020, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation notes for the 2010 issue mature December 1, 2018 through December 1, 2019. At maturity all compounded interest is paid and the note holder receives the face value of the note. As the value of the note increases, the accretion is reflected as a liability. The maturity amount of the notes is \$100,000. Accretion during fiscal year 2011 amounted to \$5,464, leaving a total note liability of \$33,288.

Principal and Interest requirements to retire the remaining outstanding notes for the 2010 Energy Conservation Notes outstanding at June 30, 2011 are as follows:

Fiscal Year	Serial/Term Notes		Capital Appreciation Notes		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2012	\$40,000	\$20,390	\$0	\$0	\$40,000	\$20,390
2013	45,000	19,540	0	0	45,000	19,540
2014	50,000	18,590	0	0	50,000	18,590
2015	50,000	17,590	0	0	50,000	17,590
2016	45,000	16,370	0	0	45,000	16,370
2017-2021	160,000	39,305	27,824	72,176	187,824	111,481
2022-2025	240,000	19,920	0	0	240,000	19,920
Totals	\$630,000	\$151,705	\$27,824	\$72,176	\$657,824	\$223,881

Compensated absences will be paid from the General Fund and the Food Service Special Revenue Fund.

The retirement incentive is only offered to certified staff, and will be paid by the General Fund.

The overall debt margin of the School District as of June 30, 2011, was \$20,976,214, with an unvoted debt margin of \$232,774.

Note 17 - Jointly Governed Organizations

A. Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2011, the total amount paid to OME-RESA from the School District was \$30,072 for cooperative gas purchasing services, \$11,020 for technology services and \$44,615 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

B. Mid-East Career and Technology Centers

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational services to its thirteen member school districts. The Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the vocational school is not dependent on the District's continued participation and no equity interest exists. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school district, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the cost of administering the program. The School District's membership payment to MEC for fiscal year 2011 was \$800. Financial information may be obtained from the Metropolitan Educational Council, Fiscal Officer, at 6100 Channingway Blvd, Suite 604, Columbus, Ohio 43232.

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2011.

E. The Ohio Coalition of Equity and Adequacy of School Funding

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the representatives are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2011, the School District paid \$380 to the Coalition. Financial information can be obtained by contacting the Coalition's fiscal agent, Muskingum Valley Educational Service Center, 205 North Seventh Street, Zanesville, Ohio 43701-3709.

Note 18 - Insurance Purchasing Pool

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.

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

Note 20 - Set Asides

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

Pursuant to State statute, the Board of Education expended all of the amounts previously set-aside for the budget reserve.

Effective June 30, 2005, through Amended Substitute House Bill 66, School Districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education. The Rolling Hills Local School District remained in Fiscal Caution during fiscal year 2011, but did not request a waiver of the set-aside requirement for fiscal year 2011.

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

	Textbooks	Capital Improvements
Set-aside Restricted Balance as of June 30, 2010	\$313,446	\$0
Current Year Set-aside Requirement	267,682	267,682
Current Year Qualifying Expenditures	(284,200)	(267,682)
Total	\$296,928	\$0
Balance Carried Forward to Future Fiscal Years	\$0	\$0
Set-aside Restricted Balance as of June 30, 2011	\$296,928	\$0

Effective July 1, 2011, House Bill 30, the “Unfunded Mandates Relief Act”, eliminates the requirement that school districts annually set aside an amount per pupil into a textbook and instructional materials fund.

The School District has capital expenditures from debt proceeds in connection with an energy conservation project that may be utilized to offset future set-aside requirements.

Note 21 – Financial Difficulties

The School District was placed in Fiscal Caution on March 24, 2006, by the Ohio Department of Education. The School District submitted a proposal to the Ohio Department of Education on May 24, 2006, to avoid a potential deficit in future fiscal years. The Ohio Department of Education accepted the proposal on June 14, 2006.

The School District implemented an expenditure reduction plan during fiscal years 2006 and 2007 which included a reduction in force, retirements, and resignations. The School District reduced expenditures by eliminating bus routes, eliminating summer school, reducing supplies, and implementing pay to play for extracurricular activities. The School District also implemented a pay freeze, including no step increases for fiscal year 2006 for teachers and administrators.

In November, 2006, the School District passed a renewal of their General Emergency Levy. The collections for this levy began in calendar year 2008.

The five year forecast submitted to the Ohio Department of Education on October 3, 2011, reflects a positive General Fund balance for fiscal years 2012 through 2015. The School District continues to be in “Fiscal Caution” and is being monitored by the Ohio Department of Education as of the date of the financial statements.

Note 22 – Subsequent Event

The School District’s emergency replacement levy was approved by the voters on the November 2011 ballot and the passage of the replacement levy will result in revenues of approximately \$1,400,000 annually.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 22,982	\$ 22,982
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	224,865	224,865
National School Lunch Program	2010/2011	10.555	448,544	448,544
Cash Assistance Subtotal			<u>673,409</u>	<u>673,409</u>
Total Child Nutrition Cluster			<u>696,391</u>	<u>696,391</u>
Total U.S. Department of Agriculture			696,391	696,391
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2010	84.010	132,650	122,603
	2011		481,867	389,929
Total Title 1 Grants to Local Educational Agencies			<u>614,517</u>	<u>512,532</u>
ARRA - Title 1 Grants to Local Educational Agencies	2010	84.389	(11,238)	44,658
	2011		68,707	68,707
Total ARRA - Title 1 Grants to Local Educational Agencies			<u>57,469</u>	<u>113,365</u>
Total Title 1 Cluster			671,986	625,897
Special Education Cluster:				
Special Education - Grants to States	2009	84.027		18
	2010		36,662	72,854
	2011		382,745	367,487
Total Special Education - Grants to States			<u>419,407</u>	<u>440,359</u>
Special Education - Preschool Grants	2010	84.173	14,644	14,644
ARRA - Special Education - Grants to States	2010	84.391	18,528	29,460
	2011		191,241	184,556
Total ARRA - Special Education - Grants to States			<u>209,769</u>	<u>214,016</u>
Total Special Education Cluster			643,820	669,019
Safe and Drug-Free Schools and Communities - State Grants	2010	84.186	7,134	4,311
	2011		4,757	4,153
Total Safe and Drug-Free Schools and Communities - State Grants			<u>11,891</u>	<u>8,464</u>
Education Technology State Grants				
Education Technology State Grants	2009	84.318	(272)	
	2010		137	
	2011		4,400	3,796
Total Education Technology State Grants			<u>4,265</u>	<u>3,796</u>
Rural Education	2010	84.358	11,270	18,329
	2011		35,707	70,470
Total Rural Education			<u>46,977</u>	<u>88,799</u>
Improving Teacher Quality State Grants	2010	84.367	529	15,847
	2011		64,583	124,647
Total Improving Teacher Quality State Grants			<u>65,112</u>	<u>140,494</u>
School Improvement Grants	2010	84.377	25,578	10,793
	2011		66,483	66,483
Total School Improvement Grants			<u>92,061</u>	<u>77,276</u>
ARRA - Teacher Incentive Fund, Recovery Act	2011	84.385	45,190	66,123
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394		22,566
	2011		758,806	758,806
Total ARRA - State Fiscal Stabilization Fund - Education State Grants			<u>758,806</u>	<u>781,372</u>
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	2011	84.395	60,975	53,488
Total U.S. Department of Education			<u>2,401,083</u>	<u>2,514,728</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 3,097,474</u>	<u>\$ 3,211,119</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Rolling Hills Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at fair value. The School District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2009 and 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2009 and 2010 to 2011</u>
ARRA – Title I Grants to Local Educational Agencies	84.389	\$11,238
Education Technology State Grants	84.318	272



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Rolling Hills Local School District
Guernsey County
P.O. Box 38
Byesville, Ohio 43723

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2012, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on March 24, 2006 due to the School District's declining financial condition, and we also noted the School District has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. 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.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 8, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 8, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Rolling Hills Local School District
Guernsey County
P.O. Box 38
Byesville, Ohio 43723

To the Board of Education:

Compliance

We have audited the compliance of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the Rolling Hills Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected.

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

However, we noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 8, 2012.

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



Dave Yost
Auditor of State

March 8, 2012

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA #'s 10.553, 10.555 Special Education Cluster – CFDA #'s 84.027, 84.173, 84.391 ARRA - State Fiscal Stabilization Fund – Education State Grants - CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)

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

Finding Number 2011-01

Significant Deficiency

The School District should identify, assemble, analyze, classify, record, and report all of its transactions within its basic financial statements in accordance with generally accepted accounting principles.

During our audit of the School District's basic financial statements, we noted the following material misstatement:

- The School District did not include prior year encumbrances in the original and final budgeted expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund. This resulted in original and final budgeted amounts on the statement being understated by \$1,095,679 as of June 30, 2011.

The School District agreed to adjustments for the aforementioned amounts and subsequently posted the adjustments to the financial statements. These adjustments are accurately reflected in the accompanying financial statements.

We recommend the School District take the necessary steps to ensure that all budgeted amounts of the School District are properly presented and disclosed in the School District's basic financial statements.

Officials' Response: We did not receive a response from Officials for this finding.

3. FINDINGS FOR FEDERAL AWARDS

None.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	A noncompliance, material weakness and questioned cost was issued for 2 C.F.R. Part 225 App. B Sections 8.a-d for the Treasurer's compensation of \$58,876 being paid out of the SFSF grant funds during 2010.	Yes	N/A

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Rolling Hills Local School District
Guernsey County
P.O. Box 38
Byesville, Ohio 43723

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 6, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 8, 2012

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

This page intentionally left blank.



Dave Yost • Auditor of State

ROLLING HILLS LOCAL SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2012