



Dave Yost • Auditor of State

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	21
Statement of Fund Net Position	
Medical Self-Insurance Internal Service Fund	22
Statement of Revenues, Expenses and Changes in Fund Net Position Medical Self-Insurance Internal Service Fund	23
Statement of Cash Flows	
Medical Self-Insurance Internal Service Fund	24
Statement of Fiduciary Net Position	
Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position Fiduciary Fund.....	26
Notes to the Basic Financial Statements	27

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
JUNE 30, 2017**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Prepared by Management: (Continued)	
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio – Last Four Fiscal Years.....	63
State Teacher Retirement System of Ohio – Last Four Fiscal Years.....	64
Schedule of the School District Contributions:	
School Employees Retirement System of Ohio – Last Ten Fiscal Year.....	66
School Teachers Retirement System of Ohio – Last Ten Fiscal Year.....	68
Notes to Required Supplementary Information.....	70
Schedule of Expenditures of Federal Awards.....	71
Notes to the Schedule of Expenditures of Federal Awards.....	72
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	73
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	75
Schedule of Findings.....	77



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate discretely presented component unit and 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, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 discretely presented component unit and remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, at June 30, 2016 the School District's capital assets were understated due to errors in accumulated depreciation, resulting in a change to the beginning balance. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension Liabilities and Pension Contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, 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.

That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018

This page intentionally left blank.

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

The discussion and analysis of the Rolling Hills Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- Net Position of governmental activities decreased \$358,020.
- General revenues accounted for \$15,926,014 in revenue or 76.5 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$4,893,499 or 23.5 percent of total revenues of \$20,819,513.
- The School District had \$21,454,590 in expenses related to governmental activities; only \$4,893,499 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily taxes and intergovernmental) of \$15,926,014 were not adequate to cover the remaining expenses.
- Total governmental funds had \$20,885,356 in revenues and \$20,634,026 in expenditures. Total governmental fund balances increased \$528,387.

USING THE BASIC FINANCIAL STATEMENTS

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 11. 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 funds. The School District's only major governmental fund is the General Fund.

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

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

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2017 compared to 2016.

Table 1
Net Position

	2017	2016	Change
Assets			
Current and Other Assets	\$15,599,777	\$14,422,503	\$1,177,274
Capital Assets	10,384,324	10,706,279	(321,955)
Total Assets	25,984,101	25,128,782	855,319
Deferred Outflows of Resources			
Pension	4,941,233	2,201,862	2,739,371
Liabilities			
Other Liabilities	2,460,459	2,173,301	287,158
Long-Term Liabilities:			
Due Within One Year	281,607	240,586	41,021
Due In More Than One Year:			
Net Pension Liability	27,428,195	22,619,636	4,808,559
Other Amounts	1,351,247	1,380,903	(29,656)
Total Liabilities	31,521,508	26,414,426	5,107,082
Deferred Inflows of Resources			
Property Taxes	4,288,963	3,990,088	298,875
Pension	621,610	2,074,857	(1,453,247)
Total Deferred Inflows of Resources	4,910,573	6,064,945	(1,154,372)
Net Position			
Net Investment in Capital Assets	9,759,597	9,953,394	(193,797)
Restricted	198,601	271,834	(73,233)
Unrestricted (Deficits)	(15,464,945)	(15,373,955)	(90,990)
Total Net Position	(\$5,506,747)	(\$5,148,727)	(\$358,020)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

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

Total assets of governmental activities increased \$855,319. The increase is primarily due to an increase in cash and cash equivalents in the amount of \$965,035, and an increase in property taxes receivable in the amount of \$271,364, which are offset by a decrease in capital assets in the amount of \$321,955.

In total, liabilities increased by \$5,107,082. This was due primarily to an increase in the net pension liability in the amount of \$4,808,559 and increases in claims payable in the amount of \$107,934.

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, and comparisons to fiscal year 2016.

Table 2
Changes in Net Position

Revenues	2017	2016	Change
Program Revenues:			
Charges for Services	\$1,569,912	\$1,516,493	\$53,419
Operating Grants and Contributions	3,323,587	3,706,434	(382,847)
Total Program Revenues	<u>4,893,499</u>	<u>5,222,927</u>	<u>(329,428)</u>
General Revenues:			
Property Taxes	6,431,170	6,357,475	73,695
Grants and Entitlements	9,376,034	9,528,525	(152,491)
Investment Earnings	39,289	16,900	22,389
Miscellaneous	79,521	34,125	45,396
Total General Revenues	<u>15,926,014</u>	<u>15,937,025</u>	<u>(11,011)</u>
Total Revenues	<u>20,819,513</u>	<u>21,159,952</u>	<u>(340,439)</u>
Program Expenses			
Instruction:			
Regular	10,357,666	9,722,061	(635,605)
Special	2,279,824	2,345,411	65,587
Vocational	307,320	235,808	(71,512)
Student Intervention Services	15,290	17,836	2,546
Support Services:			
Pupils	481,680	460,572	(21,108)
Instructional Staff	1,104,648	686,671	(417,977)
Board of Education	63,036	19,145	(43,891)
Administration	1,823,297	1,501,250	(322,047)
Fiscal	605,589	576,405	(29,184)
Operation and Maintenance of Plant	1,698,959	1,445,471	(253,488)
Pupil Transportation	976,010	849,986	(126,024)
Central	113,764	119,798	6,034
Operation of Non-Instructional Services:			
Food Service Operations	955,298	930,611	(24,687)
Community Services	32,984	4,736	(28,248)
Other Non-Instructional Services	114,419	0	(114,419)
Extracurricular Activities	494,261	537,647	43,386
Interest and Fiscal Charges	30,545	23,261	(7,284)
Total Expenses	<u>21,454,590</u>	<u>19,476,669</u>	<u>(1,977,921)</u>
Special Item	<u>277,057</u>	<u>0</u>	<u>277,057</u>
Change in Net Position	(358,020)	1,683,283	(2,041,303)
Prior Period Restatement	0	929,659	(929,659)
Net Position at Beginning of Year	<u>(5,148,727)</u>	<u>(7,761,669)</u>	<u>2,612,942</u>
Net Position at End of Year	<u>(\$5,506,747)</u>	<u>(\$5,148,727)</u>	<u>(\$358,020)</u>

Property taxes made up approximately 31 percent of revenues for governmental activities for the Rolling Hills Local School District. Of the remaining revenues, the School District receives 60.9 percent from state foundation, federal, and state grants; 7.5 percent from charges for services; and 0.6 percent from investment earnings and miscellaneous.

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 30 percent of revenues for governmental activities for Rolling Hills Local School District in 2016. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 60.4 percent of the School District's budget for expenses is used to fund instructional expenses. Support services make up 32 percent of expenses and 7.6 percent is used for the remaining expenses.

The special item in the amount of \$277,057 represents the transfer of remaining assets from Foxfire East Academy as a result of the Academy's closure. Per the settlement agreement with the Ohio Department of Education, all remaining assets and liabilities at the time of the closure, June 30, 2017, were to be transferred to Rolling Hills Local School District. At the time of the closure, there were no liabilities and the assets consisted of \$277,057 in cash. See Note 23 for more information.

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

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

Table 3
Governmental Activities

	2017 Total Cost of Services	2017 Net Cost of Services	2016 Total Cost of Services	2016 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$10,357,666	\$8,314,248	\$9,722,061	\$7,581,977
Special	2,279,824	970,794	2,345,411	805,699
Vocational	307,320	168,468	235,808	113,435
Student Intervention Services	15,290	15,290	17,836	17,836
Support Services:				
Pupils	481,680	350,832	460,572	337,920
Instructional Staff	1,104,648	882,200	686,671	490,780
Board of Education	63,036	63,036	19,145	19,145
Administration	1,823,297	1,820,143	1,501,250	1,492,448
Fiscal	605,589	605,589	576,405	576,405
Operation and Maintenance of Plant	1,698,959	1,652,672	1,445,471	1,379,940
Pupil Transportation	976,010	964,924	849,986	847,763
Central	113,764	113,764	119,798	119,798
Non-Instructional Services:				
Food Service Operations	955,298	152,855	930,611	91,622
Community Services	32,984	2,640	4,736	8
Other Non-Instructional Services	114,419	114,419	0	0
Extracurricular Activities	494,261	338,672	537,647	355,705
Interest and Fiscal Charges	30,545	30,545	23,261	23,261
Totals	<u>\$21,454,590</u>	<u>\$16,561,091</u>	<u>\$19,476,669</u>	<u>\$14,253,742</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 77.2 percent of total expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,885,356 and expenditures of \$20,634,026. The net change in fund balance, including other financing sources (uses) was \$528,387.

The fund balance of the General Fund increased \$545,061. The General Fund's unassigned fund balance of \$3,764,074 represented 21.2 percent of current year expenditures.

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

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 2017, the School District did not amend its General Fund estimated revenues. For the General Fund, the final estimated revenues were \$17,591,924, \$718,383 below actual revenues. Original appropriations were amended to increase in the amount of \$359,538. The final estimated expenditures were \$17,888,107, \$306,429 below actual expenditures.

The School District's ending unobligated General Fund balance was \$6,022,442.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the School District had \$10,384,324 invested, net of depreciation, in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to 2016.

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

	2017	2016 (restated)
Land	\$214,502	\$214,502
Construction in Progress	179,398	0
Land Improvements	1,649,213	1,765,024
Buildings and Improvements	7,454,498	7,794,731
Furniture, Fixtures, and		
Equipment	243,876	288,673
Vehicles	642,837	643,349
Totals	<u>\$10,384,324</u>	<u>\$10,706,279</u>

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

Debt

At June 30, 2017, the School District had \$691,723 outstanding in energy conservation notes and capital leases, with \$130,190 due within one year. Table 5 shows fiscal year 2017 balances compared to 2016.

Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2017

Unaudited

Table 5
Outstanding Debt, at Fiscal Year End

	2017	2016
2010 Energy Conservation Notes		
Term Notes 2.0%-4.15%	\$350,000	\$400,000
Capital Appreciation Notes 14.41%	27,824	27,824
Accretion of Interest	48,904	38,943
Premium	18,092	20,677
Capital Leases	246,903	325,061
Totals	<u>\$691,723</u>	<u>\$812,505</u>

For additional information on debt, see Notes 15 and 16 to the basic financial statements.

CURRENT ISSUES

The School District ended fiscal year 2017 with an overall decrease in net position. Based on the current financial situation, the School District will continue to be proactive in maintaining a balanced budget for fiscal year 2018. The athletic activities are being subsidized in part by donations and fees collected in a pay-to-participate program. However, these activities continue to rely on unrestricted General Fund resources in order to maintain a positive balance. The School District's emergency replacement levy was passed in November of 2016, and will generate 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.

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 Kandi Raach, 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, Ohio

Statement of Net Position

June 30, 2017

	Primary Governmental	Component Unit
	Governmental Activities	Foxfire East Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$7,689,168	\$0
Inventory Held for Resale	3,527	0
Materials and Supplies Inventory	17,662	0
Accounts Receivable	33,647	0
Intergovernmental Receivable	578,761	0
Prepaid Items	41,102	0
Property Taxes Receivable	7,235,910	0
Nondepreciable Capital Assets	393,900	0
Depreciable Capital Assets, Net	9,990,424	0
<i>Total Assets</i>	<u>25,984,101</u>	<u>0</u>
Deferred Outflows of Resources		
Pensions	4,941,233	0
Liabilities		
Accounts Payable	154,638	0
Accrued Wages and Benefits Payable	1,406,485	0
Accrued Interest Payable	1,171	0
Intergovernmental Payable	487,033	0
Claims Payable	411,132	0
Long-Term Liabilities:		
Due within One Year	281,607	0
Due in More than One Year		
Net Pension Liability (See Note 12)	27,428,195	0
Other Amounts Due in More Than One Year	1,351,247	0
<i>Total Liabilities</i>	<u>31,521,508</u>	<u>0</u>
Deferred Inflows of Resources		
Property Taxes	4,288,963	0
Pensions	621,610	0
<i>Total Deferred Inflows of Resources</i>	<u>4,910,573</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	9,759,597	0
Restricted for:		
State Programs	24,118	0
Federal Programs	137,443	0
Classroom Facilities Maintenance	37,040	0
Unrestricted (Deficit)	(15,464,945)	0
<i>Total Net Position</i>	<u><u>(\$5,506,747)</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
				Primary Government	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Foxfire East Academy
Governmental Activities					
Instruction:					
Regular	\$10,357,666	\$1,009,666	\$1,033,752	(\$8,314,248)	\$0
Special	2,279,824	133,879	1,175,151	(970,794)	0
Vocational	307,320	0	138,852	(168,468)	0
Student Intervention Services	15,290	0	0	(15,290)	0
Support Services:					
Pupils	481,680	84,712	46,136	(350,832)	0
Instructional Staff	1,104,648	0	222,448	(882,200)	0
Board of Education	63,036	0	0	(63,036)	0
Administration	1,823,297	0	3,154	(1,820,143)	0
Fiscal	605,589	0	0	(605,589)	0
Operation and Maintenance of Plant	1,698,959	39,416	6,871	(1,652,672)	0
Pupil Transportation	976,010	2,353	8,733	(964,924)	0
Central	113,764	0	0	(113,764)	0
Operation of Non-Instructional Services:					
Food Service Operations	955,298	149,354	653,089	(152,855)	0
Community Services	32,984	0	30,344	(2,640)	0
Other Non-Instructional Services	114,419	0	0	(114,419)	0
Extracurricular Activities	494,261	150,532	5,057	(338,672)	0
Interest and Fiscal Charges	30,545	0	0	(30,545)	0
Total Primary Government	\$21,454,590	\$1,569,912	\$3,323,587	(16,561,091)	0
Component Unit					
Foxfire East Academy	\$358,306	\$0	\$525,655	0	\$167,349
General Revenues					
Property Taxes Levied for General Purposes				6,431,170	0
Grants and Entitlements not Restricted to Specific Programs				9,376,034	0
Investment Earnings				39,289	271
Miscellaneous				79,521	11,067
Total General Revenues				15,926,014	11,338
Special Item				277,057	(277,057)
Change in Net Position				(358,020)	(98,370)
Net Position at Beginning of Year - Restated (See Note 3)				(5,148,727)	98,370
Net Position at End of Year				(\$5,506,747)	\$0

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2017*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,638,111	\$67,007	\$6,705,118
Receivables:			
Property Taxes	7,235,910	0	7,235,910
Accounts	5,750	2,093	7,843
Intergovernmental	140,828	437,933	578,761
Interfund	142,785	0	142,785
Prepaid Items	38,149	2,953	41,102
Inventory Held for Resale	0	3,527	3,527
Materials and Supplies Inventory	12,980	4,682	17,662
Total Assets	\$14,214,513	\$518,195	\$14,732,708
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$144,558	\$10,080	\$154,638
Accrued Wages and Benefits Payable	1,223,496	182,989	1,406,485
Interfund Payable	0	142,785	142,785
Intergovernmental Payable	451,768	35,265	487,033
Total Liabilities	1,819,822	371,119	2,190,941
Deferred Inflows of Resources			
Property Taxes	4,288,963	0	4,288,963
Unavailable Revenue	881,710	205,241	1,086,951
<i>Total Deferred Inflows of Resources</i>	<i>5,170,673</i>	<i>205,241</i>	<i>5,375,914</i>
Fund Balances			
Nonspendable			
Inventories	12,980	4,682	17,662
Prepaid Items	38,149	2,953	41,102
Restricted for:			
Classroom Facilities Maintenance	0	37,040	37,040
State Grant Expenditures	0	22,790	22,790
Committed to:			
Encumbrances for Contracts	307,691	0	307,691
Assigned to:			
Purchases on Order	279,907	0	279,907
Subsequent Year Appropriations	2,775,398	0	2,775,398
School Support Services	45,819	0	45,819
Unassigned (Deficits)	3,764,074	(125,630)	3,638,444
Total Fund Balances	7,224,018	(58,165)	7,165,853
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<i>\$14,214,513</i>	<i>\$518,195</i>	<i>\$14,732,708</i>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2017*

Total Governmental Fund Balances	\$7,165,853
---	--------------------

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,384,324
---	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Delinquent Property Taxes	871,549	
Tuition and Fees	5,750	
Charges for Services	2,093	
Grants	207,559	1,086,951

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	4,941,233	
Deferred Inflows - Pension	(621,610)	
Net Pension Liability	(27,428,195)	(23,108,572)

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 position.

598,722

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Energy Conservation Notes Term	(350,000)	
Capital Appreciation Notes	(27,824)	
Accretion of Interest - Capital Appreciation Notes	(48,904)	
Bond Premium	(18,092)	
Capital Leases	(246,903)	
Compensated Absences	(941,131)	
Accrued Interest Payable	(1,171)	(1,634,025)

Net Position of Governmental Activities	(\$5,506,747)
---	----------------------

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$6,450,150	\$0	\$6,450,150
Intergovernmental	10,391,424	2,158,133	12,549,557
Investment Earnings	39,282	0	39,282
Tuition and Fees	1,139,359	32,724	1,172,083
Charges for Services	0	147,887	147,887
Extracurricular	84,712	120,401	205,113
Rent	21,176	18,000	39,176
Gifts and Donations	197,530	5,057	202,587
Miscellaneous	78,764	757	79,521
<i>Total Revenues</i>	<u>18,402,397</u>	<u>2,482,959</u>	<u>20,885,356</u>
Expenditures			
Current:			
Instruction:			
Regular	8,901,240	866,220	9,767,460
Special	1,954,798	339,159	2,293,957
Vocational	294,113	0	294,113
Student Intervention Services	14,313	0	14,313
Support Services:			
Pupils	422,539	32,590	455,129
Instructional Staff	794,900	244,858	1,039,758
Board of Education	59,128	0	59,128
Administration	1,708,923	2,937	1,711,860
Fiscal	588,356	0	588,356
Operation and Maintenance of Plant	1,597,803	43,898	1,641,701
Pupil Transportation	834,060	30,901	864,961
Central	109,496	0	109,496
Operation of Non-Instructional Services:			
Food Service Operations	0	914,821	914,821
Community Services	1,453	30,183	31,636
Other Non-Instructional Services	114,419	0	114,419
Extracurricular Activities	104,057	291,538	395,595
Capital Outlay	185,863	0	185,863
Debt Service:			
Principal Retirement	78,158	50,000	128,158
Interest and Fiscal Charges	8,452	14,850	23,302
<i>Total Expenditures</i>	<u>17,772,071</u>	<u>2,861,955</u>	<u>20,634,026</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>630,326</u>	<u>(378,996)</u>	<u>251,330</u>
Other Financing Sources (Uses)			
Transfers In	0	362,322	362,322
Transfers Out	(362,322)	0	(362,322)
<i>Total Other Financing Sources (Uses)</i>	<u>(362,322)</u>	<u>362,322</u>	<u>0</u>
Special Item	277,057	0	277,057
<i>Net Change in Fund Balance</i>	545,061	(16,674)	528,387
<i>Fund Balances at Beginning of Year</i>	<u>6,678,957</u>	<u>(41,491)</u>	<u>6,637,466</u>
<i>Fund Balances at End of Year</i>	<u>\$7,224,018</u>	<u>(\$58,165)</u>	<u>\$7,165,853</u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$528,387

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

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

Capital Asset Additions	375,200	
Depreciation Expense	(697,155)	(321,955)

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

Delinquent Property Taxes	(18,980)	
Tuition and Fees	4,186	
Charges for Services	1,467	
Grants	(52,523)	(65,850)

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

General Obligation Notes	50,000	
Capital Lease	78,158	128,158

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

Accrued Interest Payable	133	
Amortization of Term Premium	2,585	
Annual Accretion	(9,961)	(7,243)

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 change of the internal service fund is reported with governmental activities. 128,571

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows 1,356,284

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,972,225)

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

Sick Leave Benefits Payable	(132,147)	

Change in Net Position of Governmental Activities (\$358,020)

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$6,112,789	\$6,112,789	\$6,458,681	\$345,892
Intergovernmental	9,838,685	9,838,685	10,395,409	556,724
Investment Earnings	37,178	37,178	39,282	2,104
Tuition and Fees	1,376,024	1,376,024	1,176,829	(199,195)
Rent	20,042	20,042	21,176	1,134
Gifts and Donations	176,412	176,412	186,394	9,982
Miscellaneous	30,794	30,794	32,536	1,742
<i>Total Revenues</i>	<u>17,591,924</u>	<u>17,591,924</u>	<u>18,310,307</u>	<u>718,383</u>
Expenditures				
Current:				
Instruction:				
Regular	8,607,726	8,783,635	9,079,211	(295,576)
Special	1,884,046	1,922,171	1,967,679	(45,508)
Vocational	344,288	350,214	305,881	44,333
Student Intervention Services	13,902	14,187	14,688	(501)
Support Services:				
Pupils	307,373	313,658	324,387	(10,729)
Instructional Staff	877,959	894,397	848,433	45,964
Board of Education	56,078	57,223	59,128	(1,905)
Administration	1,659,685	1,693,067	1,722,939	(29,872)
Fiscal	583,231	595,033	609,121	(14,088)
Operation and Maintenance of Plant	1,686,813	1,719,543	1,689,279	30,264
Pupil Transportation	936,131	954,813	964,202	(9,389)
Central	105,755	107,891	110,264	(2,373)
Operation of Non-Instructional Services	2,074	2,116	2,191	(75)
Extracurricular Activities	99,735	101,776	105,374	(3,598)
Capital Outlay	370,793	378,383	391,759	(13,376)
<i>Total Expenditures</i>	<u>17,535,589</u>	<u>17,888,107</u>	<u>18,194,536</u>	<u>(306,429)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>56,335</u>	<u>(296,183)</u>	<u>115,771</u>	<u>411,954</u>
Other Financing Uses				
Transfers Out	(342,931)	(349,951)	(362,322)	(12,371)
Special Item	0	0	277,057	277,057
<i>Net Change in Fund Balance</i>	(286,596)	(646,134)	30,506	676,640
<i>Fund Balance at Beginning of Year</i>	5,677,190	5,677,190	5,677,190	0
Prior Year Encumbrances Appropriated	314,746	314,746	314,746	0
<i>Fund Balance at End of Year</i>	<u>\$5,705,340</u>	<u>\$5,345,802</u>	<u>\$6,022,442</u>	<u>\$676,640</u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Fund Net Position
Medical Self-Insurance Internal Service Fund
June 30, 2017

Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$984,050
Accounts Receivable	<u>25,804</u>
<i>Total Assets</i>	<u>1,009,854</u>
 Current Liabilities	
Claims Payable	<u>411,132</u>
 Net Position	
Unrestricted	<u><u>\$598,722</u></u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Medical Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2017

Operating Revenues	
Charges for Services	<u>\$2,791,360</u>
Operating Expenses	
Purchased Services	506,427
Claims	<u>2,156,369</u>
<i>Total Operating Expenses</i>	<u>2,662,796</u>
Operating Income	128,564
Non-Operating Revenue	
Interest Income	<u>7</u>
Change in Net Position	128,571
Net Position at Beginning of Year	<u>470,151</u>
Net Position at End of Year	<u><u>\$598,722</u></u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Cash Flows
Medical Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Interfund Services Provided	\$2,791,360
Cash Payments for Services	(506,427)
Cash Payments for Claims	<u>(1,997,458)</u>

Net Cash Provided by Operating Activities	287,475
---	---------

Cash Flows from Investing Activities

Interest on Investments	<u>7</u>
-------------------------	----------

Cash and Cash Equivalents at Beginning of Year	<u>696,568</u>
--	----------------

Cash and Cash Equivalents at End of Year	<u><u>\$984,050</u></u>
--	-------------------------

Reconciliation of Operating Income to

Net Cash Provided by Operating Activities

Operating Income	\$128,564
------------------	-----------

Changes in Assets and Liabilities

Decrease in Accounts Receivable	50,977
Increase in Claims Payable	<u>107,934</u>

Net Cash Provided by Operating Activities	<u><u>\$287,475</u></u>
---	-------------------------

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,538	\$40,891
Cash and Cash Equivalents in Segregated Accounts	0	10,007
Cash and Cash Equivalents with Fiscal Agents	<u>997,473</u>	<u>0</u>
<i>Total Assets</i>	<u>1,007,011</u>	<u><u>\$50,898</u></u>
Liabilities		
Undistributed Monies	0	\$19,040
Due to Students	<u>0</u>	<u>31,858</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$50,898</u></u>
Net Position		
Held in Trust for Scholarships	<u><u>\$1,007,011</u></u>	

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Interest	\$21,136
Increase in Fair Value of Investments	77,916
<i>Total Additions</i>	99,052
Deductions	
Payments in Accordance with Trust Agreements	40,000
Contractual Services	10,438
Decrease in Fair Value of Investments	0
<i>Total Deductions</i>	50,438
Change in Net Position	48,614
Net Position at Beginning of Year	958,397
Net Position at End of Year	\$1,007,011

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's six instructional/support facilities staffed by 93 classified employees and 130 certified teaching and administrative personnel who provide services to 1,759 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has one component unit, Foxfire East Academy.

The component unit column on the Statement of Net Position and the Statement of Activities identifies the financial data of the School District's Component Unit, Foxfire East Academy (the Academy). It is reported separately to emphasize that it is legally separate from the School District.

The Academy is a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Academy is governed by a five member Board of Directors who are appointed from the public by the School District. These Board members are public officials, public employees, or community leaders demonstrating a professional interest in education or in other issues involving children, and desires to further the objectives of the Academy. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

maintain a commitment to vision, mission, and belief statements of Academy and the children it serves. The School District appoints the Board and is able to impose its will on the Academy; therefore, due to the relationship with the School District, it would be misleading to exclude. The School District can suspend the Academy's operations for any of the following reasons: 1) The Academy's failure to meet student performance requirements stated in its contract with the School District, 2) The Academy's failure to meet generally accepted standards of fiscal managements, 3) The Academy's violation of any provisions of the contract with the School District or applicable state or federal law or 4) Other good cause. Foxfire East Academy ceased operations on June 30, 2017. For more information, see Note 23 Separately issued financial statements can be obtained from Foxfire East Academy, P.O. Box 38, Bylesville, Ohio 43723.

The School District participates in five jointly governed organizations and two insurance purchasing pools. 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 for Equity and Adequacy of School Funding, the Ohio School Plan (OSP), and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Additional information concerning these organizations is presented in Notes 18 and 19.

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 more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds utilized by the School District: 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The General Fund is the only major fund of the School District.

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

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 position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Medical 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 Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Agency funds are custodial in nature (assets equal liabilities) and do not involve the 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 a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities accounts for increases (revenues) and decreases (expenses) in total net position.

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

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 Position. The Statement of Changes in Fund Net Position 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, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and 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).

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition and fees, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. (See Note 12)

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

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

E. Cash and Cash Equivalents

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

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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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.

The School District has amounts presented on the financial statements as “Cash and Cash Equivalents with Fiscal Agents” which represents money held by the Foundation for Appalachian Ohio for the Miriam Hawes Legacy Endowment Fund, a scholarship fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$39,282, which includes \$7,986 assigned from other School District funds.

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents. 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, 2017, 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.

G. Inventory

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

H. Capital Assets

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

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated 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 capital assets, except land are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Internal Activity

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

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

J. Compensated Absences

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

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

K. Accrued Liabilities and Long-term Obligations

All payables, matured compensated absences, 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 net pension liability that are paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

L. 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 Position.

M. Note Premiums

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Note premiums are deferred and amortized over the term of the notes using the straight-line method, which approximates the effective interest method. Notes payable are reported net of the applicable note premium or discount.

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

On the governmental fund financial statements, note premiums 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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

N. Fund Balance

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

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

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

Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

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

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

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

O. Pensions

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

P. Estimates

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

Q. Net Position

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

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

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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.

S. Budgetary Process

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

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

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

Note 3 - Changes in Accounting Principle and Restatement of Net Position

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

At June 30, 2016, the School District's capital assets were understated due to errors in accumulated depreciation. During fiscal year 2017, the School District revised depreciation of capital assets, which resulted in a change to beginning balance.

The implementation of this pronouncement and the capital asset adjustment had the following effects on net position as reported June 30, 2016:

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Net Position June 30, 2016	(\$6,078,386)
Adjustments:	
Net Investment in Capital Assets	<u>929,659</u>
Restated Net Position June 30, 2016	<u><u>(\$5,148,727)</u></u>

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2017:

	<u>Deficit</u>
Special Revenue Funds:	
Food Service	\$50,410
Miscellaneous Local Funds	3,208
Title I	29,816
Miscellaneous Federal Grants	35,889

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

Note 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 Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Prepaid items are reported on the balance sheet (GAAP basis), but not on the cash basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

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, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance

GAAP Basis	\$545,061
Revenue Accruals	(92,090)
Expenditure Accruals	142,890
Prepaid Items:	
Beginning of Year	41,304
End of Year	(38,149)
Cash Deficits	137,506
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(1,483)
Encumbrances	(704,533)
Budget Basis	<u><u>\$30,506</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of agreement must not exceed thirty days.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,628,497 of the School District's bank balance of \$7,991,051 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Investments As of June 30, 2017, the School District had the following investment:

	Measurement Amount	Maturity	Standard & Poor's Rating
Net Asset Value Per Share Star Ohio	\$1,268,659	Average 45.5 days	AAAm

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 sell 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 must be purchased with the expectation that it will be held to maturity.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Note 7 - Property Taxes and Abatements

Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from 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 Counties by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2017, and for which there is an enforceable legal claim.

Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

The amount available as an advance, and recognized as revenue at June 30, 2017, was \$2,075,398 in the General Fund. At June 30, 2016, \$2,083,929 was available in the General Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenues.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$215,785,450	74.88%	\$217,267,280	75.35%
Public Utility Personal	72,394,070	25.12%	71,092,480	24.65%
Total	\$288,179,520	100.00%	\$288,359,760	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$26.02		\$26.04	

Abatements

School District property taxes were reduced as follows under county and city agreements entered into by overlapping governments:

Overlapping Governments	Amount of Fiscal Year 2017 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Guernsey County	\$179,459
City of Cambridge	21,890
 <i>Enterprise Zones:</i>	
Guernsey County	\$71,174

Note 8 - Receivables

Receivables at June 30, 2017, consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
CAFS	\$8,870
State Foundation	85,730
Food Service	669
Title I	193,982
Title II-A	7,617
Title VI-B	12,297
Idea-B	157,458
21st Century	65,910
Workers' Compensation	46,228
Total	<u>\$578,761</u>

Note 9 - Significant Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the governmental funds were as follows:

General	\$721,492
Nonmajor Governmental Funds	<u>192,238</u>
Total	<u>\$913,730</u>

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/16	Additions	Deductions	Balance at 6/30/17
Capital Assets:				
Nondepreciable Capital Assets:				
Land	\$214,502	\$0	\$0	\$214,502
Construction in Progress	0	179,398	0	179,398
Total Nondepreciable Capital Assets	214,502	179,398	0	393,900
Depreciable Capital Assets:				
Land Improvements	2,896,118	37,873	15,403	2,918,588
Buildings and Improvements	18,741,896	37,500	0	18,779,396
Furniture, Fixtures, and Equipment	3,695,296	24,965	0	3,720,261
Vehicles	1,784,937	95,464	0	1,880,401
Total Depreciable Capital Assets	27,118,247	195,802	15,403	27,298,646
Less Accumulated Depreciation:				
Land Improvements	(1,131,094)	(153,684)	(15,403)	(1,269,375)
Buildings and Improvements	(10,947,165)	(377,733)	0	(11,324,898)
Furniture, Fixtures, and Equipment	(3,406,623)	(69,762)	0	(3,476,385)
Vehicles	(1,141,588)	(95,976)	0	(1,237,564)
Total Accumulated Depreciation	(16,626,470)	(697,155) *	(15,403)	(17,308,222)
Total Capital Assets being				
Depreciated, Net	10,491,777	(501,353)	0	9,990,424
Capital Assets, Net	\$10,706,279	(\$321,955)	\$0	\$10,384,324

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$235,945
Special	24,556
Vocational	6,640
Support Services:	
Pupils	14,749
Instructional Staff	29,039
Administration	31,999
Fiscal	6,385
Operation and Maintenance of Plant	81,006
Pupil Transportation	99,048
Central	2,128
Food Service Operations	50,217
Extracurricular Activities	115,443
Total Depreciation Expense	\$697,155

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2017, the School District contracted with the Ohio School Plan (OSP) for the following coverage:

Commercial Property Coverage Blanket	\$72,275,255	\$1,000 deductible
Commercial Crime Coverage	25,000	1,000 deductible
Fleet Insurance:		
Liability	3,000,000	any one accident
Auto Medical Payments	5,000	any one accident
Uninsured Motorists	1,000,000	any one accident
Comprehensive	Cash Value	250/1,000 deductible
Collision	Cash Value	500/1,000 deductible
General Liability:		
Educational General Liability	3,000,000	each occurrence
Personal and Advertising Injury	3,000,000	each offense
Medical Expense	10,000	each accident
General Aggregate	5,000,000	
Products Aggregate	3,000,000	
Employee Benefits Liability	3,000,000	2,500 Deductible
Aggregate	5,000,000	
Employers' Liability	3,000,000	
Errors and Omissions	3,000,000	
Aggregate	5,000,000	
Employment Practices	3,000,000	
Aggregate	5,000,000	

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2015.

B. Workers' Compensation

For fiscal year 2017, 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.

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 Administrators, Inc. serves as claims servicer for this coverage.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The claims liability of \$411,132 reported in the internal service fund at June 30, 2017, 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 2016 and 2017 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>		<u>Claims Payments</u>	<u>Balance at End of Year</u>
2016	\$360,612	\$2,209,046		\$2,266,460	\$303,198
2017	303,198	2,105,392 (1)		1,997,458	411,132

(1) Claims Expense	\$2,156,369
Decrease in Stop Loss Reimbursement Receivable	<u>(50,977)</u>
Current Year Claims	<u><u>\$2,105,392</u></u>

Note 12 - Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$325,375 for fiscal year 2017. Of this amount \$49,929 is reported as an intergovernmental payable.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,030,909 for fiscal year 2017. Of this amount \$170,905 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.06980040%	0.06743390%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.06934300%	0.06677895%	
Change in Proportionate Share	-0.00045740%	-0.00065495%	
			Total
Proportionate Share of the Net			
Pension Liability	\$5,075,268	\$22,352,927	\$27,428,195
Pension Expense	\$466,215	\$1,506,010	\$1,972,225

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$68,453	\$903,165	\$971,618
Changes of assumptions	338,802	0	338,802
Net difference between projected and actual earnings on pension plan investments	418,636	1,855,893	2,274,529
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	0	0
School District contributions subsequent to the measurement date	325,375	1,030,909	1,356,284
Total Deferred Outflows of Resources	\$1,151,266	\$3,789,967	\$4,941,233
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	\$135,727	\$485,883	\$621,610

\$1,356,284 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$145,049	\$288,280	\$433,329
2019	144,748	288,280	433,028
2020	280,028	1,000,440	1,280,468
2021	120,339	696,175	816,514
Total	\$690,164	\$2,273,175	\$2,963,339

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$6,719,338	\$5,075,268	\$3,699,112

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$29,705,224	\$22,352,927	\$16,150,832

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2017, none of the members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$39,300.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$39,300, \$34,604, and \$17,410, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 partial 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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 14 - 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 on a twelve month contract, earn ten to thirty days of vacation per 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, administrators, and classified employees who are contracted to work less than 260 days per year do not earn vacation time.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Sick leave may be accumulated up to a maximum of 265 days for classified employees and administrative personnel and 265 days for certified employees. Upon retirement, all employees receive payment for one-fourth of their total sick leave accumulation.

B. Insurance Benefits

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

Note 15 - Capitalized Leases

In fiscal year 2016, the School District entered into a lease agreement for school busses. The lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee.

Actual principal payments during fiscal year 2017 totaled \$78,158 in the governmental funds.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Amount
2018	\$86,610
2019	86,610
2020	86,610
Total Minimum Lease Payments	259,830
Less: Amount Representing Interest	(12,927)
Present Value of Minimum Lease Payments	<u>\$246,903</u>

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities:					
2010 Energy Conservation Notes:					
Term Notes 2.0% - 4.15%	\$400,000	\$0	\$50,000	\$350,000	\$50,000
Capital Appreciation Notes 14.41%	27,824	0	0	27,824	0
Accretion on Capital Appreciation Bonds	38,943	9,961	0	48,904	0
CAB Premium	20,677	0	2,585	18,092	0
Total Notes	<u>487,444</u>	<u>9,961</u>	<u>52,585</u>	<u>444,820</u>	<u>50,000</u>
Net Pension Liability:					
STRS	18,636,758	3,716,169	0	22,352,927	0
SERS	3,982,878	1,092,390	0	5,075,268	0
Total Net Pension Liability	<u>22,619,636</u>	<u>4,808,559</u>	<u>0</u>	<u>27,428,195</u>	<u>0</u>
Capital Leases	<u>325,061</u>	<u>0</u>	<u>78,158</u>	<u>246,903</u>	<u>80,190</u>
Sick Leave Benefits Payable	<u>808,894</u>	<u>196,512</u>	<u>64,365</u>	<u>941,041</u>	<u>151,417</u>
Total Governmental Activities Long-Term Liabilities	<u>\$24,241,035</u>	<u>\$5,015,032</u>	<u>\$195,108</u>	<u>\$29,060,959</u>	<u>\$281,607</u>

Capital Leases are paid from the General Fund. Compensated Absences will be paid from the General Fund and the Food Service Special Revenue Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund and Food Service Special Revenue Fund. For additional information related to the net pension liability, see Note 12.

2010 Energy Conservation Notes – On March 11, 2010, the 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 that will be amortized over the life of the issue, with a final maturity at December 1, 2024. \$2,373 in issuance costs were previously expensed.

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 Ohio Department of Education will make the sufficient payment.

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

Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 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. 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 percent 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 2016 amounted to \$9,961, leaving a total note liability of \$56,806.

Principal and Interest requirements to retire the remaining outstanding notes for the 2010 Energy Conservation Notes outstanding at June 30, 2017, are as follows:

<u>Fiscal Year</u>	<u>Term Notes</u>		<u>Capital Appreciation Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Accretion</u>
2018	\$50,000	\$13,250	\$0	\$0
2019	0	12,451	14,878	35,121
2020	0	12,450	12,946	37,055
2021	60,000	11,205	0	0
2022	60,000	8,715	0	0
2023-2025	180,000	11,205	0	0
Totals	<u>\$350,000</u>	<u>\$69,276</u>	<u>\$27,824</u>	<u>\$72,176</u>

The overall debt margin of the School District as of June 30, 2017, was \$25,951,486, with an unvoted debt margin of \$288,350.

Note 17 - Interfund Activity

A. Transfers

During fiscal year 2017, the General Fund made transfers in the amount of \$362,322 to the Food Service, Miscellaneous Local Grants, and District Managed Activities Special Revenue Funds in the amounts of \$117,203, \$21,742, and \$158,527, respectively, and to the Debt Service Fund in the amount of \$64,850.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund Balances

Interfund receivables and payables at June 30, 2017, consist of the following individual balances, representing \$137,506 due to the General Fund from Special Revenue Funds for cash deficits, and \$5,279 due to the General Fund from Miscellaneous Local Funds for monies advanced to be repaid to the General Fund when grant funds are received.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$142,785	\$0
Nonmajor Special Revenue Funds:		
Miscellaneous Local Funds	0	5,279
Title I	0	84,553
Miscellaneous Federal Grants	0	52,953
Total All Funds	<u>\$142,785</u>	<u>\$142,785</u>

Note 18 - Jointly Governed Organizations

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

The Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA) was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board comprising a representative from each participating school district. The Board exercises total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2017, the total amount paid to OME-RESA from the School District was \$55,921 for technology services and 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 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 (Center) is a jointly governed organization providing vocational services to its thirteen member school districts. The Center 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 exercises total control over the operations of Mid-East Career and Technology Centers including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The continued existence of the Center is not dependent on the School District's continued participating and no equity interest exists. During fiscal year 2017, the School District made no payments to the Center.

Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 193 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 39 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 44 members, either the superintendent, a designated representative, or a member of the board of education for each participating school district in Franklin County and one representative from each county. The board exercised total control over the operations of MEC including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2017, the School District made no payments to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

D. Coalition of Rural and Appalachian Schools

Coalition of Rural and Appalachian Schools (CORAS) -The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2017. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Mike Shoemaker, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

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 members 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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. 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 participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2017, the School District paid \$804 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

Note 19 - Insurance Purchasing Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 plan.

Note 20 - Set-Aside Calculations

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

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

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2016	\$0
Current Year Set-Aside Requirement	296,987
Current Year Qualifying Expenditures	<u>(394,523)</u>
Totals	<u><u>(\$97,536)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying expenditures during the fiscal year that reduced the capital set-aside amount below zero. The excess set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

C. Litigation

At June 30, 2017, the School District was not party to any legal proceedings.

Note 22 - Subsequent Events

On September 21, 2017, the School District signed an Enterprise Zone Compensation Agreement with the Guernsey Power Station Project. This agreement calls for aggregate payments to the School District over a 32 year period in the amount of \$42,482,640. These payments will be used by the School District to fund new school buildings.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 23 - Foxfire East Academy and Special Item

A. Basis of Presentation

The Foxfire East Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. The Foxfire East Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

B. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Foxfire East Academy's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

C. Related Party Transactions

The Board of Directors of the Academy consists of five community members recommended by the Executive Director of the Academy after consulting with Rolling Hills Local School District's (Sponsor) Superintendent. The Academy is presented as a component unit of the Sponsor. During fiscal year 2017, the Academy paid the Sponsor \$136,622 for rent, utilities, transportation, and other support services provided to the Academy. As of June 30, 2017, remaining assets consisting of cash in the amount of \$277,057 were transferred to the sponsor.

D. Special Item - Transfer of Operations of the Foxfire East Academy

On June 30, 2017, the operations of the Foxfire East Academy were transferred to the Sponsor, Rolling Hills Local School District, pursuant to an agreement entered into between the Ohio Department of Education and the Rolling Hills Local School District. The agreement provided for the transfer of assets from the Academy to Rolling Hills Local School District and the School District agreed to assume all liabilities of the Academy. The programs previously operated by the Academy will be operated by the Rolling Hills Local School District. On June 30, 2017, \$277,057 was transferred to the Rolling Hills Local School District and this amount is reflected as a Special Item on the Academy's financial statements.

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.06934300%	0.06980040%	0.073660%	0.073660%
School District's Proportionate Share of the Net Pension Liability	\$5,075,268	\$3,982,878	\$3,727,891	\$4,380,324
School District's Covered Payroll	\$2,149,457	\$2,123,126	\$2,220,260	\$2,125,463
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	236.12%	187.59%	167.90%	206.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Rolling Hills Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1) **

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.06677895%	0.06743390%	0.06928232%	0.06928232%
School District's Proportionate Share of the Net Pension Liability	\$22,352,927	\$18,636,758	\$16,851,858	\$20,073,824
School District's Covered Payroll	\$7,051,464	\$7,035,600	\$7,026,008	\$7,535,677
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	317.00%	264.89%	239.85%	266.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

This page intentionally left blank.

Rolling Hills Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$325,375	\$300,924	\$279,828	\$307,728
Contributions in Relation to the Contractually Required Contribution	<u>(325,375)</u>	<u>(300,924)</u>	<u>(279,828)</u>	<u>(307,728)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,324,107	\$2,149,457	\$2,123,126	\$2,220,260
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$294,164	\$296,253	\$283,387	\$297,137	\$222,300	\$216,320
<u>(294,164)</u>	<u>(296,253)</u>	<u>(283,387)</u>	<u>(297,137)</u>	<u>(222,300)</u>	<u>(216,320)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,125,466	\$2,202,630	\$2,254,471	\$2,194,515	\$2,259,153	\$2,202,849
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Rolling Hills Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,030,909	\$987,205	\$984,984	\$913,381
Contributions in Relation to the Contractually Required Contribution	<u>(1,030,909)</u>	<u>(987,205)</u>	<u>(984,984)</u>	<u>(913,381)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$7,363,636	\$7,051,464	\$7,035,600	\$7,026,008
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$979,638	\$942,959	\$878,599	\$863,588	\$833,049	\$863,907
(979,638)	(942,959)	(878,599)	(863,588)	(833,049)	(863,907)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,535,677	\$7,253,531	\$6,758,454	\$6,642,985	\$6,408,069	\$6,645,438
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Rolling Hills Local School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2017	\$56,000
Cash Assistance:			
School Breakfast Program	10.553	2017	186,568
National School Lunch Program	10.555	2017	402,895
Cash Assistance Subtotal			<u>589,463</u>
Total Child Nutrition Cluster			<u>645,463</u>
Total U.S. Department of Agriculture			645,463
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	2016 2017	117,063 <u>728,842</u>
Total Title I Grants to Local Educational Agencies			845,905
Special Education Cluster:			
Special Education-Grants to States	84.027	2016 2017	54,597 <u>271,712</u>
Total Special Education-Grants to States			326,309
Passed Through Ohio Valley ESC			
Special Education-Preschool Grants	84.173	2017	<u>14,610</u>
Total Special Education Cluster			340,919
Twenty-First Century Community Learning Centers	84.287	2017	158,275
Rural Education	84.358	2017	28,889
Improving Teacher Quality State Grants	84.367	2017	107,513
Teacher and School Leader Incentive Grants	84.374	2016	<u>11,792</u>
Total U.S. Department of Education			<u>1,493,293</u>
Total Expenditures of Federal Awards			<u>\$2,138,756</u>

The accompanying notes are an integral part of this schedule.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District’s under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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 D – FOOD DONATION PROGRAM

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

NOTE E – 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. The School District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
IDEA-B	84.027	\$ 83,411.61
Title I	84.010	\$ 15,957.17
Title II-A	84.367	\$ 3,136.42
Title VI-B	84.358	\$ 2,599.97



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate discretely presented component unit and 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, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 26, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Rolling Hills Local School District's, Guernsey County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Rolling Hills Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies, CFDA # 84.010 • Special Education Cluster (IDEA, Part B), CFDA #'s 84.027, 84.173 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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 29, 2018