



Dave Yost • Auditor of State

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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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 General Fund, and the aggregate remaining fund information of Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2014, 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 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 General Fund, and the aggregate remaining fund information of Rolling Hills Local School District, Guernsey County, Ohio, as of June 30, 2014, 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.

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*, 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 Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 the Schedule 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 Schedule 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 31, 2015, 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 loop at the end of the last name.

Dave Yost
Auditor of State

Columbus, Ohio

March 31, 2015

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Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2014 are as follows:

- Net position of governmental activities increased \$184,373.
- General revenues accounted for \$15,231,472 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services and operating grants, contributions, and interest accounted for \$5,662,215, or 27 percent of total revenues of \$20,893,687.
- Total assets of the School District decreased \$62,918 due primarily to decreases in capital assets, cash and cash equivalents, and property taxes receivable, which were offset by an increase in intergovernmental receivables.
- The School District had \$20,709,314 in expenses related to governmental activities; only \$5,662,215 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$15,231,472 were adequate to provide for these programs.
- Total governmental funds had revenues in the amount of \$20,720,662 and expenditures in the amount of \$19,995,626. Total fund balances, including other financing sources and uses, increased \$725,036.

Using this Annual Financial Report

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

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net 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, extracurricular activities, and interest.

Reporting the School District's Most Significant Fund

Fund Financial Statements

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

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

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the School District's Fiduciary Responsibilities

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

	<u>Governmental Activities</u>		
	2014	2013	Change
Assets			
Current and Other Assets	\$12,870,082	\$12,793,369	\$76,713
Capital Assets	12,480,198	12,619,829	(139,631)
Total Assets	25,350,280	25,413,198	(62,918)
Liabilities			
Long-Term Liabilities	1,394,254	1,453,500	(59,246)
Other Liabilities	2,255,043	2,579,746	(324,703)
Total Liabilities	3,649,297	4,033,246	(383,949)
Deferred Inflows of Resources			
Property Taxes	3,687,913	3,551,255	136,658
Net Position			
Net Investment in Capital Assets	11,957,374	12,047,005	(89,631)
Restricted	782,416	772,981	9,435
Unrestricted	5,273,280	5,008,711	264,569
Total Net Position	\$18,013,070	\$17,828,697	\$184,373

Total assets decreased \$62,918. The increase in current assets is primarily due to an increase in intergovernmental receivables, which is offset by decreases in cash and cash equivalents and property taxes receivable. Cash and cash equivalents decreased as a result of additional expenses in federal funds during fiscal year 2014. The primary fund, the General Fund, reflects an increase in its fund balance in the amount of \$1,023,475. This increase demonstrates the School District's commitment to maintain cash basis expenditures in line with current receipts.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Property taxes receivable decreased by \$65,022. See Note 6 for more information regarding the School District's property tax rates which impact amounts collected. Capital assets decreased during fiscal year 2014 as a result of current year depreciation exceeding capitalization of assets. The decreases in assets are offset by an increase in intergovernmental receivables in the amount of \$595,677. This increase is due primarily to the School District's participation in the Straight A Grant.

Total liabilities decreased \$383,949 which is approximately ten percent of the prior year's amounts, primarily due to a decrease in long-term liabilities in the amount of \$59,246, and decreases in other liabilities in the amount of \$324,703. Long-term liabilities decreased due to current year severance payments for retirees and current year debt retirements. Other liabilities decreased due to accrued wages and benefits and the associated intergovernmental payables, matured severance payable, and accounts payable. Timing of pay dates for salaries earned also contributed to the fluctuation of these liabilities.

As a result of the above, total net position increased by \$184,373. Each of the three components of net position, however, reflect significant changes. Federal grant guidelines require that the School District maintain a minimal balance in unspent monies, therefore reducing the amount of restricted cash and receivables associated with those grants. The liability accruals to these funds are then reported as unrestricted net position. However, amounts restricted for State Programs increased due to the School District's participation in the Straight A Grant for fiscal year 2014, resulting in a large receivable and no liabilities being incurred for the grant. Net investment in capital assets reflects a decrease as a result of current year depreciation exceeding capitalizations.

Table 2 shows the changes in net position for fiscal year 2014, and comparisons to fiscal year 2013.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Change in Net Position

Revenues	Governmental Activities		
	2014	2013	Change
Program Revenues			
Charges for Services	\$1,085,930	\$1,396,998	(\$311,068)
Operating Grants, Contributions, and Interest	4,576,285	2,827,736	1,748,549
Capital Grants and Contributions	0	635,922	(635,922)
Total Program Revenues	<u>5,662,215</u>	<u>4,860,656</u>	<u>801,559</u>
General Revenue			
Property Taxes	5,600,187	5,766,679	(166,492)
Grants and Entitlements	9,557,965	9,846,520	(288,555)
Investment Earnings	10,401	9,266	1,135
Miscellaneous	62,919	36,913	26,006
Total General Revenues	<u>15,231,472</u>	<u>15,659,378</u>	<u>(427,906)</u>
Total Revenues	<u>20,893,687</u>	<u>20,520,034</u>	<u>373,653</u>
Program Expenses			
Instruction:			
Regular	8,562,860	7,872,080	690,780
Special	2,087,774	2,346,269	(258,495)
Vocational	225,486	219,018	6,468
Intervention	1,521,421	1,461,856	59,565
Support Services:			
Pupils	496,669	536,739	(40,070)
Instructional Staff	967,129	1,190,313	(223,184)
Board of Education	25,273	27,683	(2,410)
Administration	1,581,458	1,516,380	65,078
Fiscal	560,397	624,905	(64,508)
Operation and Maintenance of Plant	1,709,543	1,597,033	112,510
Pupil Transportation	1,031,818	900,883	130,935
Central	454,171	90,156	364,015
Operation of Non-Instructional Services:			
Food Service Operations	1,006,848	996,873	9,975
Other Non-Instructional Services	9,503	25,715	(16,212)
Extracurricular Activities	445,798	429,348	16,450
Interest	23,166	51,067	(27,901)
Total Expenses	<u>20,709,314</u>	<u>19,886,318</u>	<u>822,996</u>
Change in Net Position	184,373	633,716	(449,343)
Net Position Beginning of Year	<u>17,828,697</u>	<u>17,194,981</u>	<u>633,716</u>
Net Position End of Year	<u>\$18,013,070</u>	<u>\$17,828,697</u>	<u>\$184,373</u>

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Property taxes comprise approximately 27 percent of revenues for governmental activities for the School District in fiscal year 2014. Property tax revenues decreased \$166,492 from the prior fiscal year primarily due to the timing of property tax advances.

Total program revenue increased from the prior year primarily due to increases in operating grants, contributions, and interest due to the Straight A Grant program as well as other program specific federal monies.

Instructional programs comprise approximately 60 percent of total governmental program expenses, and reflected an increase of \$498,318 from the prior year. Regular instruction realized the largest change, an increase of \$690,780, as a result of the increase in salary related liabilities and severance payments. Decreases in special instruction are due to the realignment of expenditures.

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

Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction:				
Regular	\$8,562,860	\$6,193,597	\$7,872,080	\$6,499,522
Special	2,087,774	692,079	2,346,269	1,789,901
Vocational	225,486	136,158	219,018	98,958
Intervention	1,521,421	1,521,421	1,461,856	1,461,856
Support Services:				
Pupils	496,669	455,522	536,739	536,510
Instructional Staff	967,129	407,622	1,190,313	469,413
Board of Education	25,273	25,273	27,683	27,683
Administration	1,581,458	1,491,704	1,516,380	1,480,155
Fiscal	560,397	560,397	624,905	621,808
Operation and Maintenance of Plant	1,709,543	1,646,255	1,597,033	1,386,893
Pupil Transportation	1,031,818	1,026,121	900,883	894,788
Central	454,171	454,171	90,156	90,156
Operation of Non-Instructional Services:				
Food Service Operation	1,006,848	179,850	996,873	71,702
Other Non-Instructional Services	9,503	3,535	25,715	19,330
Extracurricular Activities	445,798	230,228	429,348	(474,080)
Interest	23,166	23,166	51,067	51,067
Total Expenses	<u>\$20,709,314</u>	<u>\$15,047,099</u>	<u>\$19,886,318</u>	<u>\$15,025,662</u>

The difference in Net Cost of services for Special Instruction between 2013 and 2014 is primarily due to changes made to the current foundation formula related to special education funding. Beginning in fiscal year 2014, \$751,085, is now reported as a restricted program revenue and in prior years this source was reported as a general revenue. The difference in Net Cost of Services for Extracurricular Activities between 2013 and 2014 is primarily due to contributions received in 2013 for new turf for the football field.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent, with 73 percent of the School District's activities being supported primarily through taxes and unrestricted intergovernmental revenues.

The School District's Funds

The School District's governmental funds are accounted for modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had \$17,186,092 in revenues and \$15,991,377 in expenditures. The General Fund's balance, including other financing uses, increased \$1,023,475 due primarily to an increase in cash and cash equivalents and interfund receivable, offset by an increase in deferred inflows of resources and a decrease in liabilities.

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 2014, the School District amended its General Fund budget, but not significantly, and the budgetary statement reflects both original and final budgeted amounts. There was a \$489,407 variance between original and final budgeted amounts with regards to revenues, and the final budgeted amounts were \$235,640 higher than actual results. The estimate for intergovernmental revenues was lower than actual results by \$143,855.

For expenditures, there was a \$498,413 difference between original and final budgeted amounts, however for final appropriations, there was a significant variance between budgeted and actual expenditures due to spending in all categories being less than budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$12,480,198 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 8 for additional information regarding capital assets.

Debt

At June 30, 2014 the School District had \$571,385 outstanding in energy conservation notes, with \$50,000 due within one year. See Note 14 for more detailed information regarding the School District's debt.

Rolling Hills Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Economic Factors

The School District ended fiscal year 2014 with an overall increase 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 2015. 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 November 2011, 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 Fuller, Treasurer/CFO at Rolling Hills Local School District, P.O. Box 38, Byesville, Ohio 43723.

Rolling Hills Local School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,758,176
Accounts Receivable	129,811
Intergovernmental Receivable	1,317,027
Prepaid Items	40,255
Materials and Supplies Inventory	23,748
Inventory Held for Resale	11,480
Property Taxes Receivable	6,589,585
Nondepreciable Capital Assets	214,502
Depreciable Capital Assets, Net	12,265,696
 Total Assets	 25,350,280
Liabilities	
Accounts Payable	118,106
Accrued Wages and Benefits Payable	1,317,980
Intergovernmental Payable	566,459
Matured Compensated Absences Payable	49,390
Accrued Interest Payable	1,508
Claims Payable	201,600
Long-Term Liabilities:	
Due Within One Year	217,034
Due In More Than One Year	1,177,220
 Total Liabilities	 3,649,297
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	3,687,913
Net Position	
Net Investment in Capital Assets	11,957,374
Restricted for:	
Building Maintenance	20,907
State Programs	494,901
Federal Programs	251,021
Other Purposes	7,684
Unclaimed Monies	7,903
Unrestricted	5,273,280
 Total Net Position	 \$18,013,070

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net Expense and Change in Net Position
		Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$8,562,860	\$539,155	\$1,830,108	(\$6,193,597)
Special	2,087,774	120,714	1,274,981	(692,079)
Vocational	225,486	0	89,328	(136,158)
Intervention	1,521,421	0	0	(1,521,421)
Support Services:				
Pupils	496,669	0	41,147	(455,522)
Instructional Staff	967,129	0	559,507	(407,622)
Board of Education	25,273	0	0	(25,273)
Administration	1,581,458	0	89,754	(1,491,704)
Fiscal	560,397	0	0	(560,397)
Operation and Maintenance of Plant	1,709,543	14,458	48,830	(1,646,255)
Pupil Transportation	1,031,818	2,721	2,976	(1,026,121)
Central	454,171	0	0	(454,171)
Operation of Non-Instructional Services:				
Food Service Operations	1,006,848	193,312	633,686	(179,850)
Other Non-Instructional Services	9,503	0	5,968	(3,535)
Extracurricular Activities	445,798	215,570	0	(230,228)
Interest	23,166	0	0	(23,166)
Total Governmental Activities	\$20,709,314	\$1,085,930	\$4,576,285	(15,047,099)

General Revenues

Property Taxes Levied for General Purpose	5,531,597
Property Taxes Levied for Debt Service	68,590
Grants and Entitlements not Restricted to Specific Programs	9,557,965
Investment Earnings	10,401
Miscellaneous	62,919
Total General Revenues	15,231,472
Change in Net Position	184,373
Net Position Beginning of Year	17,828,697
Net Position End of Year	\$18,013,070

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,411,533	\$140,512	\$4,552,045
Restricted Cash and Cash Equivalents	7,903	0	7,903
Accounts Receivable	4,617	225	4,842
Interfund Receivable	297,716	0	297,716
Intergovernmental Receivable	76,462	1,240,565	1,317,027
Prepaid Items	39,326	929	40,255
Materials and Supplies Inventory	18,915	4,833	23,748
Inventory Held for Resale	0	11,480	11,480
Property Taxes Receivable	6,589,585	0	6,589,585
Total Assets	\$11,446,057	\$1,398,544	\$12,844,601
Liabilities			
Matured Compensated Absences Payable	\$36,522	\$12,868	\$49,390
Accounts Payable	73,423	44,683	118,106
Accrued Wages and Benefits Payable	1,146,707	171,273	1,317,980
Interfund Payable	0	297,716	297,716
Intergovernmental Payable	501,539	64,920	566,459
Total Liabilities	1,758,191	591,460	2,349,651
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	3,687,913	0	3,687,913
Unavailable Revenue	1,029,362	729,327	1,758,689
Total Deferred Inflows of Resources	4,717,275	729,327	5,446,602
Fund Balances (Deficit)			
Nonspendable:			
Inventories	18,915	4,833	23,748
Prepaid Items	39,326	929	40,255
Unclaimed Monies	7,903	0	7,903
Restricted for:			
Restricted for Debt Service	0	21,949	21,949
Restricted for Food Service	0	4,635	4,635
Restricted for State Programs	0	216,798	216,798
Restricted for Other Purposes	0	7,684	7,684
Restricted for Classroom Facilities Maintenance	0	20,907	20,907
Committed to Encumbrances	25,096	0	25,096
Assigned to:			
Purchases on Order	412,156	0	412,156
Subsequent Years' Appropriation	137,946	0	137,946
Other Purposes	123,561	0	123,561
Unassigned (Deficit)	4,205,688	(199,978)	4,005,710
Total Fund Balances	4,970,591	77,757	5,048,348
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$11,446,057	\$1,398,544	\$12,844,601

See accompanying notes to the basic financial statements

Rolling Hills Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014*

Total Governmental Fund Balances		\$5,048,348
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,480,198
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Property Taxes	1,020,367	
Grants	733,480	
Charges for Services	225	
Tuition and Fees	4,617	
Total	1,758,689	1,758,689
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.		121,597
Long-term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Notes Serial/Term	(495,000)	
Capital Appreciation Notes	(27,824)	
Accretion of Interest - Capital Appreciation Notes	(22,714)	
Bond Premium	(25,847)	
Compensated Absences	(822,869)	
Accrued Interest Payable	(1,508)	
Total	(1,395,762)	(1,395,762)
Net Position of Governmental Activities		\$18,013,070
See accompanying notes to the basic financial statements		

Rolling Hills Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$5,668,460	\$68,590	\$5,737,050
Intergovernmental	10,567,718	3,098,681	13,666,399
Interest	10,401	141	10,542
Tuition and Fees	664,704	35,818	700,522
Extracurricular Activities	95,441	88,125	183,566
Rentals	2,284	12,000	14,284
Charges for Services	0	193,258	193,258
Contributions and Donations	115,622	36,500	152,122
Miscellaneous	61,462	1,457	62,919
Total Revenues	17,186,092	3,534,570	20,720,662
Expenditures			
Current:			
Instruction:			
Regular	6,744,861	1,311,533	8,056,394
Special	1,968,412	404,830	2,373,242
Vocational	216,706	0	216,706
Intervention	1,521,421	0	1,521,421
Support Services:			
Pupils	433,842	31,451	465,293
Instructional Staff	306,082	604,455	910,537
Board of Education	25,273	0	25,273
Administration	1,409,353	94,752	1,504,105
Fiscal	541,985	0	541,985
Operation and Maintenance of Plant	1,504,582	49,369	1,553,951
Pupil Transportation	992,365	26,695	1,019,060
Central	100,110	0	100,110
Operation of Non-Instructional Services:			
Food Service Operations	191	919,759	919,950
Other Non-Instructional Services	2,521	6,982	9,503
Extracurricular Activities	85,663	273,050	358,713
Capital Outlay	138,010	212,783	350,793
Debt Service:			
Principal Retirement	0	50,000	50,000
Interest and Fiscal Charges	0	18,590	18,590
Total Expenditures	15,991,377	4,004,249	19,995,626
Excess of Revenues Over (Under) Expenditures	1,194,715	(469,679)	725,036
Other Financing Source (Use)			
Transfers In	0	171,240	171,240
Transfers Out	(171,240)	0	(171,240)
Total Other Financing Source (Use)	(171,240)	171,240	0
Net Change in Fund Balances	1,023,475	(298,439)	725,036
Fund Balances Beginning of Year	3,947,116	376,196	4,323,312
Fund Balances End of Year	<u>\$4,970,591</u>	<u>\$77,757</u>	<u>\$5,048,348</u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$725,036

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

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

Capital Asset Additions - Capital Outlay	426,809	
Depreciation Expense	(566,440)	
Total	(139,631)	(139,631)

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

Grants	296,661	
Property Taxes	(136,863)	
Charges for Services	54	
Tuition and Fees	(5,754)	
Total	154,098	154,098

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

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

Bond Premium	2,585	
Annual Accretion	(6,561)	
Interest Payable	(600)	
Total	(4,576)	(4,576)

Compensated absences payable reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 13,222

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. (613,776)

Change in Net Position of Governmental Activities **\$184,373**

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,491,002	\$5,654,538	\$5,733,277	\$78,739
Intergovernmental	10,031,915	10,330,689	10,474,544	143,855
Interest	9,985	10,283	10,426	143
Tuition and Fees	636,615	655,575	664,704	9,129
Extracurricular Activities	91,408	94,130	95,441	1,311
Rentals	2,187	2,253	2,284	31
Contributions and Donations	110,736	114,034	115,622	1,588
Miscellaneous	58,865	60,618	61,462	844
Total Revenues	16,432,713	16,922,120	17,157,760	235,640
Expenditures				
Current:				
Instruction:				
Regular	6,837,581	7,042,699	6,818,820	223,879
Special	2,096,199	2,157,731	2,045,521	112,210
Vocational	318,865	327,020	271,100	55,920
Intervention	1,526,440	1,572,320	1,525,211	47,109
Support Services:				
Pupils	532,793	547,912	502,591	45,321
Instructional Staff	381,857	392,872	366,181	26,691
Board of Education	25,419	26,185	25,455	730
Administration	1,500,644	1,544,797	1,467,810	76,987
Fiscal	575,351	592,200	560,138	32,062
Operation and Maintenance of Plant	1,955,259	2,006,535	1,704,560	301,975
Pupil Transportation	959,970	988,186	938,006	50,180
Central	100,354	103,377	100,496	2,881
Operation of Non-Instructional Services:				
Other Non-Instructional Services	2,708	2,789	2,712	77
Extracurricular Activities	99,267	102,249	99,109	3,140
Capital Outlay	151,597	155,845	141,240	14,605
Total Expenditures	17,064,304	17,562,717	16,568,950	993,767
Excess of Revenues Over (Under) Expenditures	(631,591)	(640,597)	588,810	1,229,407
Other Financing Use				
Transfers Out	(170,997)	(176,148)	(171,240)	4,908
Net Change in Fund Balance	(802,588)	(816,745)	417,570	1,234,315
Fund Balance Beginning of Year	3,331,165	3,331,165	3,331,165	0
Prior Year Encumbrances Appropriated	518,845	518,845	518,845	0
Fund Balance End of Year	\$3,047,422	\$3,033,265	\$4,267,580	\$1,234,315

See accompanying notes to the basic financial statements

Rolling Hills Local School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2014

	Medical-Dental-Prescription Self-Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$198,228
Accounts Receivable	124,969
Total Assets	<u>323,197</u>
Current Liabilities	
Claims Payable	<u>201,600</u>
Net Position	
Unrestricted	<u><u>\$121,597</u></u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Medical-Dental-Prescription Self-Insurance
Operating Revenues	
Charges for Services	\$2,880,121
Operating Expenses	
Purchased Services	431,027
Claims	3,062,870
Total Operating Expenses	3,493,897
Operating Loss	(613,776)
Change in Net Position	(613,776)
Net Position at Beginning of Year	735,373
Net Position at End of Year	\$121,597

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Medical-Dental-Prescription Self-Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,880,121
Cash Payments for Services	(431,027)
Cash Payments for Claims	(3,017,116)
	(568,022)
Net Cash Used for Operating Activities	(568,022)
Cash and Cash Equivalents Beginning of Year	766,250
	766,250
Cash and Cash Equivalents End of Year	\$198,228
	\$198,228
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$613,776)
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	57,354
Decrease in Claims Payable	(11,600)
	45,754
Total Changes in Assets and Liabilities	45,754
Net Cash Used for Operating Activities	(\$568,022)
	(\$568,022)
See accompanying notes to the basic financial statements	

Rolling Hills Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,838	\$26,829
Cash and Cash Equivalents in Segregated Accounts	0	10,411
Cash and Cash Equivalents with Fiscal Agents	<u>1,060,248</u>	<u>0</u>
 Total Assets	 <u>1,070,086</u>	 <u><u>\$37,240</u></u>
 Liabilities		
Undistributed Monies	0	\$12,075
Due to Students	<u>0</u>	<u>25,165</u>
 Total Liabilities	 <u>0</u>	 <u><u>\$37,240</u></u>
 Net Position		
Held in Trust for Scholarships	 <u><u>\$1,070,086</u></u>	

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions	
Interest	\$18,215
Increase in Fair Market Value	111,384
<i>Total Additions</i>	129,599
Deductions	
Payments in Accordance with Trust Agreements	32,000
Contractual Services	18,148
<i>Total Deductions</i>	50,148
Change in Net Position	79,451
Net Position Beginning of Year	990,635
Net Position End of Year	\$1,070,086

See accompanying notes to the basic financial statements

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board of Education. The School District provides educational services as authorized by its charter and further mandated by state and federal agencies. This Board controls the School District's six instructional support facilities staffed by 121 classified employees and 135 certificated teaching employees and administrative personnel who provide services to 1,856 students.

Reporting Entity

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

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 benefits to, or impose specific financial burden on, the primary government. The School District has no component units.

The School District participates in five jointly governed organizations and two group 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 15 and 16.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental in nature (financed through taxes, intergovernmental receipts, or other nonexchange transactions) and those that are considered business-type activities (financed in whole or in part by fees charged to external parties for goods or services). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Fiduciary Fund Types Fiduciary fund reporting focuses on net 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. The School District's private purpose trust fund accounts for a college scholarship program for eligible students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for faculty directed activities, student managed activities, and payroll withholdings.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. 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 (i.e., revenues and other financing sources) and uses (i.e., 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 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.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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, represents 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.

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 as an inflow of resources (revenue) until that time. For the School District deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the 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, intergovernmental grants, and receivables from tuition and fees and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

E. Cash and Cash Equivalents

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

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

During fiscal year 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and STAROhio Plus. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$10,401, which includes \$2,813 assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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 of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute for unclaimed monies.

K. Compensated Absences

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be paid.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Bond/Note Premiums and Discounts

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

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

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

N. Internal Activity

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

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

O. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term portion of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year’s 2015 appropriated budget.

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

Rolling Hills Local School District
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For the Fiscal Year Ended June 30, 2014

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

P. Net Position

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

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

S. Estimates

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

T. Budgetary Data

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

be made by resolution of the Board of Education. The Treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are not intended to be repaid.

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

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

Note 3 - Accountability

The following funds had deficit fund balances as of June 30, 2014:

<u>Special Revenue Funds:</u>	<u>Amount</u>
Miscellaneous Federal Grants	\$138,766
Title I	21,451
Race to the Top	39,761

These deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances due to the timing of state and federal receipts; however, this is done when cash is needed than accruals occur.

Note 4 - Budgetary Basis of Accounting

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

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Rolling Hills Local School District
Notes to the Basic Financial Statements
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3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Unrecorded cash represent amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
5. Prepaid items are reported on the balance sheet (GAAP basis) but not on the budget basis.

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

Net Change in Fund Balance	General
GAAP Basis	\$1,023,475
Revenue Accruals	(28,357)
Fiscal Year 2013 Unrecorded Cash	25
Fiscal Year 2013 Prepaid Items	37,206
Fiscal Year 2014 Prepaid Items	(39,326)
Expenditure Accruals	(131,160)
Encumbrances	(444,293)
Budget Basis	\$417,570

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$463,729 of the School District's bank balance of \$4,286,349 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments As of June 30, 2014, the School District had monies invested in STAROhio. The fair value of the investment in STAROhio is \$25,635 and the fund had an average maturity of 51.4 days at fiscal year end.

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

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

At June 30, 2014, the School District's Private Purpose Trust Fund had an investment balance of \$1,060,248 held with The Foundation for Appalachian Ohio (FAO). The money is held by FAO in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. To obtain financial information regarding FAO, visit www.appalachianohio.org.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at

Rolling Hills Local School District
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For the Fiscal Year Ended June 30, 2014

fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources for property taxes.

The amount available as an advance, and recognized as revenue at June 30, 2014, was \$1,881,305 in the General Fund. At June 30, 2013, \$1,946,122 was available as an advance in the General Fund.

On an 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 revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$175,995,870	70.61%	\$177,407,590	71.32%
Public Utility Personal	73,257,860	29.39%	71,356,370	28.68%
Total	\$249,253,730	100.00%	\$248,763,960	100.00%
 Tax Rate per \$1,000 of assessed valuation	 \$25.05		 \$24.90	

The decrease in the tax rate from the prior year is due to a decrease in the millage for the Bond Retirement Debt Service Fund. The County Auditors review the balance in this fund and adjust the millage so that the balance is not excessive as compared to future debt service requirements.

Note 7 - Receivables

Receivables at June 30, 2014, consisted of property taxes, intergovernmental grants, interfund, and accounts receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,020,367 may not be collected within one year. All other receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

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	Amounts
Governmental Activities	
Race to the Top Grant	\$149,183
IDEA Part B Grant	111,403
Title I Grant	207,834
Ohio Teachers Initiative Fund Grant	237,355
Title VI-B Grant	1,866
Title II-A Grant	37,157
Straight A Grant	482,069
Early Literacy Grant	13,698
Medicaid Reimbursement	18,144
Miscellaneous	58,318
Total	\$1,317,027

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable Capital Assets				
Land	\$214,502	\$0	\$0	\$214,502
Total Nondepreciable Capital Assets	214,502	0	0	214,502
Depreciable Capital Assets				
Land Improvements	2,035,808	346,195	0	2,382,003
Buildings and Improvements	19,019,992	0	0	19,019,992
Furniture and Equipment	1,747,860	0	0	1,747,860
Vehicles	1,403,391	80,614	0	1,484,005
Total at Historical Cost	24,207,051	426,809	0	24,633,860
Less Accumulated Depreciation				
Land Improvements	(446,399)	(124,949)	0	(571,348)
Buildings and Improvements	(8,890,019)	(383,887)	0	(9,273,906)
Furniture and Equipment	(1,331,042)	(34,141)	0	(1,365,183)
Vehicles	(1,134,264)	(23,463)	0	(1,157,727)
Total Accumulated Depreciation	(11,801,724)	(566,440) *	0	(12,368,164)
Depreciable Capital Assets, Net of Accumulated Depreciation	12,405,327	(139,631)	0	12,265,696
Governmental Activities Capital Assets, Net	\$12,619,829	(\$139,631)	\$0	\$12,480,198

* Depreciation expense was charged to governmental functions as follows:

Rolling Hills Local School District
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Instruction:	
Regular	\$198,859
Special	27,017
Vocational	6,451
Support Services:	
Pupils	12,920
Instructional Staff	17,916
Administration	29,405
Fiscal	5,624
Operation and Maintenance of Plant	119,310
Pupil Transportation	28,710
Central	1,874
Extracurricular	82,849
Operation of Non-Instructional Services:	
Food Service Operations	35,505
Total Depreciation Expense	<u>\$566,440</u>

Note 9 - Transfers and Internal Balances

A. Transfers

During fiscal year 2014, the General Fund transferred \$144,750 and \$26,490 to the Miscellaneous Local and Miscellaneous State Grants Special Revenue Funds, respectively. These transfers were made to move unrestricted revenues collected in the General Fund to help finance various programs accounted for in these funds in accordance with budgetary authorization.

B. Internal Balances

The governmental balance sheet reflects interfund receivables and payables in the amount of \$297,716. The General Fund made a short-term loans to the Miscellaneous Local Grants Special Revenue Fund, Race to the Top, Title I, and Miscellaneous Federal Grants Special Revenue Funds in the amount of \$5,279, \$55,883, \$45,779, and \$190,775, respectively to cover cash deficits until the receipt of federal and local grant monies by these funds.

The above interfund balances are anticipated to be repaid within one fiscal year.

Note 10 - 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.

Rolling Hills Local School District
Notes to the Basic Financial Statements
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The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Hylant Administrative Services, LLC (see Note 16).

During fiscal year 2014, the School District contracted with the Ohio School Plan:

Commercial Property Coverage Blanket	\$61,452,606	\$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 no significant reduction in insurance coverage from coverage in fiscal year 2014.

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. The claims liability of \$201,600 reported in the internal service fund at June 30, 2014, 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 2013 and 2014 were:

	Balance at Beginning of Year	Current Year Claims		Claims Payments	Balance at End of Year
2013	\$296,800	\$2,538,806		\$2,622,406	\$213,200
2014	213,200	3,005,516	(1)	3,017,116	201,600
(1) Claims Expense		\$3,062,870			
Decrease in Stop Loss Reimbursement Receivable		(57,354)			
Current Year Claims		\$3,005,516			

Note 11 - Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 265 days for classified employees 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

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.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$268,946, \$325,903 and \$301,322, respectively. For fiscal year 2014, 73.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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For the Fiscal Year Ended June 30, 2014

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$906,243 and \$20,687 for the fiscal year ended June 30, 2014, \$958,030 and \$21,608 for the fiscal year ended June 30, 2013, and \$924,212 and \$18,747 for the fiscal year ended June 30, 2012. For fiscal year 2014, 84.02 percent has been contributed for the DB plan and 84.02 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$5,439 made by the School District and \$4,274 made by the plan members. In addition, member contributions of \$11,980 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$35,959 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$39,434, \$39,161, and \$44,997, respectively. For fiscal year 2014, 5.07 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$15,722, \$18,326, and \$17,795 respectively. For fiscal year 2014, 73.94 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$71,302, \$75,357, and \$72,535 respectively. For fiscal year 2014, 82.15 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations

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

	Outstanding 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	Amounts Due Within One Year
Governmental Activities					
2010 Energy Conservation Notes					
Serial/Term Notes 2.0% - 4.15%	\$545,000	\$0	\$50,000	\$495,000	\$50,000
Capital Appreciation Notes 14.41%	27,824	0	0	27,824	0
Capital Appreciation Notes-					
Accretion of Interest	16,153	6,561	0	22,714	0
Premium	28,432	0	2,585	25,847	0
Total Energy Conservation Notes	617,409	6,561	52,585	571,385	50,000
Compensated Absences Payable	836,091	130,481	143,703	822,869	167,034
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,453,500</u>	<u>\$137,042</u>	<u>\$196,288</u>	<u>\$1,394,254</u>	<u>\$217,034</u>

2010 Energy Conservation Notes – On March 11, 2010, Rolling Hills Local School District issued \$707,824 of general obligation notes, pursuant to House Bill 264. The notes were issued to finance an energy conservation project. The notes were issued at 2.0 – 4.15 percent interest rate. The issuance of the notes included a \$38,772 premium 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 department of education will make the sufficient payment.

The Current Interest Term Notes maturing on December 1, 2014, were 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, 2013. The remaining principal amount of such Current Interest Term Notes (\$50,000) will be paid at stated maturity on December 1, 2014.

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

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 2014 amounted to \$6,561, leaving a total note liability of \$50,538.

Principal and Interest requirements to retire the remaining outstanding notes for the 2010 Energy Conservation Notes outstanding at June 30, 2014 are as follows:

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fiscal Year	Serial/Term Notes		Capital Appreciation Notes		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2015	\$50,000	\$17,590	\$0	\$0	\$50,000	\$17,590
2016	45,000	16,370	0	0	45,000	16,370
2017	50,000	14,850	0	0	50,000	14,850
2018	50,000	13,250	0	0	50,000	13,250
2019	0	12,451	14,878	35,121	14,878	47,572
2020-2024	240,000	42,330	12,946	37,055	252,946	79,385
2025	60,000	1,245	0	0	60,000	1,245
Totals	\$495,000	\$118,086	\$27,824	\$72,176	\$522,824	\$190,262

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

The overall debt margin of the School District as of June 30, 2014, was \$22,407,420, with an unvoted debt margin of \$248,727.

Note 15 - Jointly Governed Organizations

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

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2014, the total amount paid to OME-RESA from the School District was \$57,040 for cooperative gas purchasing services, technology services, 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.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, the School District made no payments to the Center. 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 2014, the School District made a payment of \$800 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 29-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The 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 2014. 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.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. 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 2014, the School District paid \$887 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 16 - Insurance Purchasing Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 17 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

Note 18 - Set Asides

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

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

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	298,224
Current Year Offsets	0
Current Year Qualifying Expenditures	(324,120)
Total	<u>(\$25,896)</u>
Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2014	<u>\$0</u>

The School District had qualifying expenditures and offsets during the fiscal year that reduced the set-aside amount below zero for capital improvements, which may not be carried forward to future fiscal years.

Rolling Hills Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 19 - Significant Commitments

Encumbrances are commitments to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<u>Governmental Funds</u>	
General Fund	\$444,293
Other Nonmajor Governmental Funds	<u>136,059</u>
Total All Funds	<u><u>\$580,352</u></u>

Note 20 – Subsequent Event

On July 1, 2014 the School District entered into an operating lease with GMN Head Start, an Ohio nonprofit corporation for the lease of School District property. The amount of the lease is \$1,500 per month, the lease expires on June 30, 2015.

On March 12, 2015 the School District approved the Conversion Community School Preliminary Successor Agreement with Todd Whiteman to establish Foxfire East Academy with Rolling Hills Local School District as the sponsor. The District approved a lease agreement with Foxfire East Academy for use of the Beech Grove facility.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Distribution	N/A	10.555	\$64,089	\$64,089
Cash Assistance:				
School Breakfast Program	2014	10.553	179,361	179,361
National School Lunch Program	2014	10.555	374,678	374,678
Cash Assistance Subtotal			<u>554,039</u>	<u>554,039</u>
Total Child Nutrition Cluster			618,128	618,128
Total U.S. Department of Agriculture			618,128	618,128
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	172,680	179,493
	2014		675,283	721,062
Total Title I Grants to Local Educational Agencies			<u>847,963</u>	<u>900,555</u>
Special Education Cluster:				
Special Education, Grants to States (IDEA, Part B)				
	2013	84.027	58,584	56,743
	2014		316,574	351,535
Total Special Education, Grants to States (IDEA, Part B)			<u>375,158</u>	<u>408,278</u>
Special Education - Preschool Grants				
	2014	84.173	14,229	14,229
Total Special Education Cluster			389,387	422,507
Rural Education				
	2013	84.358	4,075	4,075
	2014		29,426	31,276
Total Rural Education			<u>33,501</u>	<u>35,351</u>
Improving Teacher Quality State Grants				
	2013	84.367	32,369	62,313
	2014		103,129	114,284
Total Improving Teacher Quality State Grants			<u>135,498</u>	<u>176,597</u>
Teacher Incentive Fund Cluster				
Teacher Incentive Fund:				
Ohio Teacher Incentive				
	2013	84.374	33,570	30,150
	2014		27,490	51,403
Batelle Supplemental				
	2013		4,779	4,779
	2014		6,521	29,531
Ohio Teacher Incentive Payout				
	2014		199,528	199,528
Teacher Leadership				
	2014			95,678
Total Teacher Incentive Fund			<u>271,888</u>	<u>411,069</u>
ARRA - Teacher Incentive Fund, Recovery Act:				
Assessment Literacy				
	2013	84.385	21,664	18,534
	2014		16,506	16,703
Total ARRA - Teacher Incentive Fund, Recovery Act			<u>38,170</u>	<u>35,237</u>
Total Teacher Incentive Fund Cluster			310,058	446,306
ARRA Race-to-the-Top Incentive Grants				
Race-to-the-Top				
	2013	84.395	29,919	15,340
	2014		86,267	126,838
Race-to-the-Top Mini Grant				
	2013		1,418	1,418
	2014		125	1,748
Ohio Appalachian Collaborative (OAC)				
	2013		28,673	28,633
	2014		52,542	56,429
Ohio Appalachian Collaborative (OAC) Additional				
	2014		28,063	28,063
Ohio Performance Assessment Pilot Project				
	2014		7,887	17,685
Ohio Instructional Leadership Academy				
	2014		13,693	13,693
Total ARRA Race-to-the-Top Incentive Grants			<u>248,587</u>	<u>289,847</u>
Total U.S. Department of Education			<u>1,964,994</u>	<u>2,271,163</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,583,122</u>	<u>\$2,889,291</u>

The accompanying notes are an integral part of this schedule.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Title I Grants to Local Educational Agencies	84.010	\$ 5,422
Special Education - Grants to States	84.027	3,665



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 General Fund, and the aggregate remaining fund information of Rolling Hills Local School District, Guernsey County, Ohio (the School District) as of and for the year ended June 30, 2014, 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 31, 2015.

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 opinion 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.

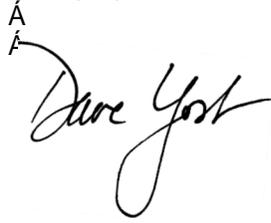
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

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Dave Yost
Auditor of State

Columbus, Ohio

March 31, 2015



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 OMB CIRCULAR A-133

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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on Title I Grants to States and Teacher Incentive Fund Cluster

As described in Finding 2014-001 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Activities Allowed and Allowable Costs/Cost Principles applicable to its Title I Grants to States and Teacher Incentive Fund Cluster major federal programs. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

Qualified Opinion on Title I Grants to States and Teacher Incentive Fund Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to States and Teacher Incentive Fund Cluster* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to States and Teacher Incentive Fund Cluster for the year ended June 30, 2014.

Unmodified Opinion on Special Education Cluster

In our opinion, the Rolling Hills Local School District, Guernsey County, Ohio complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The School District's response to our noncompliance Finding is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

The School District's response to our internal control over compliance Finding is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. 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 "Y" and "O". A small arrow points from the top left of the signature towards the text above it.

Dave Yost
Auditor of State

Columbus, Ohio

March 31, 2015

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**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion:	
	<ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies and Teacher Incentive Fund Cluster – Unmodified except for Activities Allowed and Allowable Costs/Cost Principles is Qualified • Special Education Cluster – Unmodified 	
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	
	<ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies - CFDA #84.010 • Special Education Cluster - CFDA #84.027 and 84.173 • Teacher Incentive Fund Cluster - CFDA #84.374 and #84.385 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2014-001
CFDA Title and Number	Title I - CFDA #84.010 Teacher Incentive Fund Cluster - CFDA #84.374 and #84.385 ARRA Race to the Top Incentive Grants - CFDA #84.395
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs, Noncompliance and Material Weakness – Activities Allowed and Allowable Costs/Cost Principles

2 C.F.R. Part 225, Appendix B(8)(h)(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- a.) More than one Federal award,
- b.) A Federal award and a non-Federal award,
- c.) An indirect cost activity and a direct cost activity,
- d.) Two or more indirect activities which are allocated using different allocation bases, or
- e.) An unallowable activity and a direct or indirect cost activity.

2 C.F.R. Part 225, Appendix B(8)(h)(5) states that personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

These requirements are applicable to both federal and state grants administered from Ohio Department of Education resources.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding 2014-001 (Continued)

During fiscal year 2014, the School District provided personnel activity reports (time and effort logs) for the Coordinator of Curriculum, Instruction and Assessment; however, these logs did not coincide with one or more pay periods and did not reflect the time spent on each program to support payments of \$14,080 from the Race to the Top Fund, \$22,993 from the Title I Fund and \$29,311 from the Teacher Incentive Fund.

Therefore, we have identified known questioned costs of \$14,080 for the Race to the Top Fund, \$22,993 for the Title I Fund and \$29,311 for the Teacher Incentive Fund.

We recommend personnel activity reports (time and effort logs) be maintained with enough detail to support the charges for employees who work on more than one federal award.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	Changed timesheet to show a total hours for Title I, Teacher Incentive Funding and Race to the Top. The Curriculum Director changed her log immediately.	March 5, 2015	Kandi Fuller



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
APRIL 21, 2015**