



Dave Yost • Auditor of State



**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

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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 fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

Management is responsible for 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 fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Also discussed in Note 3 to the financial statements, at June 30, 2014, the School District's capital assets were overstated. During fiscal year 2015, the School District completed a revaluation of capital assets. We did not modify our opinion regarding these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and schedules of net pension liabilities and pension contributions, listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

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

The Schedule of 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 relate 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 April 26, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 26, 2016

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# Rolling Hills Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2015*

*Unaudited*

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The discussion and analysis of the 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, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

#### **Key financial highlights for fiscal year 2015 are as follows:**

- Net Position of governmental activities decreased \$184,931.
- General revenues accounted for \$15,370,357 in revenue or 76.1 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$4,825,325 or 23.9 percent of total revenues of \$20,195,682.
- The School District had \$20,380,613 in expenses related to governmental activities; only \$4,825,325 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily taxes and intergovernmental) of \$15,370,357 were not adequate to cover the remaining expenses.
- Total governmental funds had \$20,772,385 in revenues and \$20,361,009 in expenditures. Total governmental fund balances increased \$411,376.

### **USING THE BASIC FINANCIAL STATEMENTS**

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

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

#### **Reporting the School District as a Whole**

##### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets 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

# Rolling Hills Local School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2015*

*Unaudited*

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of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

# Rolling Hills Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

### The School District as a Whole

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

**Table 1**  
**Net Position**

|                                       | 2015                 | 2014                 | Change             |
|---------------------------------------|----------------------|----------------------|--------------------|
| <b>Assets</b>                         |                      |                      |                    |
| Current and Other Assets              | \$12,848,933         | \$12,870,082         | (\$21,149)         |
| Capital Assets                        | 9,583,622            | 10,140,303           | (556,681)          |
| Total Assets                          | <u>22,432,555</u>    | <u>23,010,385</u>    | <u>(577,830)</u>   |
| <b>Deferred Outflows of Resources</b> |                      |                      |                    |
| Pension                               | <u>1,441,682</u>     | <u>1,204,235</u>     | <u>237,447</u>     |
| <b>Liabilities</b>                    |                      |                      |                    |
| Other Liabilities                     | 2,314,757            | 2,255,043            | 59,714             |
| Long-Term Liabilities:                |                      |                      |                    |
| Due Within One Year                   | 156,822              | 217,034              | (60,212)           |
| Due In More Than One Year:            |                      |                      |                    |
| Net Pension Liability                 | 20,579,749           | 24,454,148           | (3,874,399)        |
| Other Amounts                         | 1,123,888            | 1,177,220            | (53,332)           |
| Total Liabilities                     | <u>24,175,216</u>    | <u>28,103,445</u>    | <u>(3,928,229)</u> |
| <b>Deferred Inflows of Resources</b>  |                      |                      |                    |
| Property Taxes                        | 3,737,985            | 3,687,913            | 50,072             |
| Pension                               | 3,722,705            | 0                    | 3,722,705          |
| Total Deferred Inflows of Resources   | <u>7,460,690</u>     | <u>3,687,913</u>     | <u>3,772,777</u>   |
| <b>Net Position</b>                   |                      |                      |                    |
| Net Investment in Capital Assets      | 9,110,798            | 9,617,479            | (506,681)          |
| Restricted                            | 247,765              | 782,416              | (534,651)          |
| Unrestricted                          | <u>(17,120,232)</u>  | <u>(17,976,633)</u>  | <u>856,401</u>     |
| Total Net Position                    | <u>(\$7,761,669)</u> | <u>(\$7,576,738)</u> | <u>(\$184,931)</u> |

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

# Rolling Hills Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

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

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

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation, along with a restatement of capital assets, also had the effect of restating total net position at June 30, 2014, from \$18,013,070 to (\$7,576,738).

# Rolling Hills Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2015*

*Unaudited*

Total assets of governmental activities decreased \$577,830. This is primarily due to a decrease in capital assets of \$556,681, resulting from depreciation, and a decrease in intergovernmental receivables of \$868,925, offset by increases in cash.

In total, liabilities decreased by \$3,928,229. This was due primarily to the net pension liability decrease of \$3,874,399, and decreases in general obligation notes due to scheduled debt retirement payments.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, and comparisons to fiscal year 2014.

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

| <b>Revenues</b>                          | <u>2015</u>          | <u>2014</u>          | <u>Change</u>      |
|------------------------------------------|----------------------|----------------------|--------------------|
| Program Revenues:                        |                      |                      |                    |
| Charges for Services                     | \$1,352,090          | \$1,085,930          | \$266,160          |
| Operating Grants and Contributions       | 3,473,235            | 4,576,285            | (1,103,050)        |
| Total Program Revenues                   | <u>4,825,325</u>     | <u>5,662,215</u>     | <u>(836,890)</u>   |
| General Revenues:                        |                      |                      |                    |
| Property Taxes                           | 5,569,123            | 5,600,187            | (31,064)           |
| Grants and Entitlements                  | 9,678,359            | 9,557,965            | 120,394            |
| Investment Earnings                      | 10,559               | 10,401               | 158                |
| Miscellaneous                            | 112,316              | 62,919               | 49,397             |
| Total General Revenues                   | <u>15,370,357</u>    | <u>15,231,472</u>    | <u>138,885</u>     |
| Total Revenues                           | <u>20,195,682</u>    | <u>20,893,687</u>    | <u>(698,005)</u>   |
| <b>Program Expenses</b>                  |                      |                      |                    |
| Instruction:                             |                      |                      |                    |
| Regular                                  | 7,649,560            | 8,562,860            | 913,300            |
| Special                                  | 2,428,567            | 2,087,774            | (340,793)          |
| Vocational                               | 196,502              | 225,486              | 28,984             |
| Student Intervention Services            | 1,739,613            | 1,521,421            | (218,192)          |
| Support Services:                        |                      |                      |                    |
| Pupils                                   | 469,204              | 496,669              | 27,465             |
| Instructional Staff                      | 920,554              | 967,129              | 46,575             |
| Board of Education                       | 19,710               | 25,273               | 5,563              |
| Administration                           | 1,459,430            | 1,581,458            | 122,028            |
| Fiscal                                   | 531,772              | 560,397              | 28,625             |
| Operation and Maintenance of Plant       | 1,897,403            | 1,709,543            | (187,860)          |
| Pupil Transportation                     | 1,029,352            | 1,031,818            | 2,466              |
| Central                                  | 103,972              | 454,171              | 350,199            |
| Operation of Non-Instructional Services: |                      |                      |                    |
| Food Service Operations                  | 984,324              | 1,006,848            | 22,524             |
| Community Services                       | 2,742                | 9,503                | 6,761              |
| Shared Services                          | 443,488              | 0                    | (443,488)          |
| Extracurricular Activities               | 481,959              | 445,798              | (36,161)           |
| Interest and Fiscal Charges              | 22,461               | 23,166               | 705                |
| Total Expenses                           | <u>20,380,613</u>    | <u>20,709,314</u>    | <u>328,701</u>     |
| Decrease in Net Position                 | (184,931)            | 184,373              | (369,304)          |
| Net Position at Beginning of Year        | <u>(7,576,738)</u>   | N/A                  | N/A                |
| Net Position at End of Year              | <u>(\$7,761,669)</u> | <u>(\$7,576,738)</u> | <u>(\$184,931)</u> |

## Rolling Hills Local School District, Ohio

### Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$1,204,235 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the fiscal year 2015 statements report pension expense of \$858,577. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

|                                                     |                   |
|-----------------------------------------------------|-------------------|
| Total 2015 program expenses under GASB 68           | \$20,380,613      |
| Pension expense under GASB 68                       | (858,577)         |
| 2015 contractually required contribution            | <u>1,247,718</u>  |
| Adjusted 2015 program expenses                      | 20,769,754        |
| Total 2014 program expenses under GASB 27           | <u>20,709,314</u> |
| Increase in program expenses not related to pension | <u>\$60,440</u>   |

Property taxes made up approximately 27.6 percent of revenues for governmental activities for the Rolling Hills Local School District. Of the remaining revenues, the School District receives 65.1 percent from state foundation, federal, and state grants; 6.7 percent from charges for services; and 0.6 percent from investment earnings and miscellaneous.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 27.6 percent of revenues for governmental activities for Rolling Hills Local School District in 2015. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 58.9 percent of the School District's budget for expenditures is used to fund instructional expenses. Support services make up 31.6 percent of expenses and 9.5 percent is used for interest and fiscal charges, extracurricular activities, food service operations, shared services, and community services.

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

# Rolling Hills Local School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2015*

*Unaudited*

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

|                                    | 2015<br>Total Cost<br>of Services | 2015<br>Net Cost<br>of Services | 2014<br>Total Cost<br>of Services | 2014<br>Net Cost<br>of Services |
|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Program Expenses</b>            |                                   |                                 |                                   |                                 |
| Instruction:                       |                                   |                                 |                                   |                                 |
| Regular                            | \$7,649,560                       | \$5,894,356                     | \$8,562,860                       | \$6,193,597                     |
| Special                            | 2,428,567                         | 1,108,174                       | 2,087,774                         | 692,079                         |
| Vocational                         | 196,502                           | 74,969                          | 225,486                           | 136,158                         |
| Student Intervention Services      | 1,739,613                         | 1,739,613                       | 1,521,421                         | 1,521,421                       |
| Support Services:                  |                                   |                                 |                                   |                                 |
| Pupils                             | 469,204                           | 425,903                         | 496,669                           | 455,522                         |
| Instructional Staff                | 920,554                           | 623,353                         | 967,129                           | 407,622                         |
| Board of Education                 | 19,710                            | 19,710                          | 25,273                            | 25,273                          |
| Administration                     | 1,459,430                         | 1,376,586                       | 1,581,458                         | 1,491,704                       |
| Fiscal                             | 531,772                           | 530,938                         | 560,397                           | 560,397                         |
| Operation and Maintenance of Plant | 1,897,403                         | 1,845,588                       | 1,709,543                         | 1,646,255                       |
| Pupil Transportation               | 1,029,352                         | 975,224                         | 1,031,818                         | 1,026,121                       |
| Central                            | 103,972                           | 103,972                         | 454,171                           | 454,171                         |
| Non-Instructional Services:        |                                   |                                 |                                   |                                 |
| Food Service Operations            | 984,324                           | 148,256                         | 1,006,848                         | 179,850                         |
| Community Services                 | 2,742                             | 553                             | 9,503                             | 3,535                           |
| Shared Services                    | 443,488                           | 443,488                         | 0                                 | 0                               |
| Extracurricular Activities         | 481,959                           | 222,144                         | 445,798                           | 230,228                         |
| Interest and Fiscal Charges        | 22,461                            | 22,461                          | 23,166                            | 23,166                          |
| Totals                             | <u>\$20,380,613</u>               | <u>\$15,555,288</u>             | <u>\$20,709,314</u>               | <u>\$15,047,099</u>             |

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 76.3 percent of total expenses are supported through taxes and other general revenues.

## THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,772,385 and expenditures of \$20,361,009.

The fund balance of the General Fund increased \$508,905. The General Fund's unassigned fund balance of \$4,238,855 represented 25.3 percent of current year expenditures.

### *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 2015, the School District did not amend its General Fund estimated revenues or appropriations. For the General Fund, the final estimated revenues were \$16,778,956, and the final estimated expenditures were \$17,134,888.

# Rolling Hills Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

The School District's ending unobligated General Fund balance was \$4,543,973.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2015, the School District had \$9,110,798 invested, net of debt, in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

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

|                                       | 2015               | 2014                |
|---------------------------------------|--------------------|---------------------|
| Land                                  | \$214,502          | \$214,502           |
| Land Improvements                     | 1,450,024          | 1,589,545           |
| Buildings and Improvements            | 7,535,532          | 7,875,726           |
| Furniture, Fixtures, and<br>Equipment | 261,095            | 312,938             |
| Vehicles                              | 122,469            | 147,592             |
| Totals                                | <u>\$9,583,622</u> | <u>\$10,140,303</u> |

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

#### Debt

At June 30, 2015 the School District had \$526,340 outstanding in energy conservation notes, with \$45,000 due within one year. Table 5 shows fiscal year 2015 balances compared to 2014.

**Table 5**  
**Outstanding Debt, at Fiscal Year End**

|                                   | 2015             | 2014             |
|-----------------------------------|------------------|------------------|
| 2010 Energy Conservation Notes    |                  |                  |
| Serial/Term Notes 2.0%-4.15%      | \$445,000        | \$495,000        |
| Capital Appreciation Notes 14.41% | 27,824           | 27,824           |
| Accretion of Interest             | 30,254           | 22,714           |
| Premium                           | 23,262           | 25,847           |
| Totals                            | <u>\$526,340</u> | <u>\$571,385</u> |

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

# **Rolling Hills Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2015*

*Unaudited*

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## **CURRENT ISSUES**

The School District ended fiscal year 2015 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 2016. The athletic activities are being subsidized in part by donations and fees collected in a pay-to-participate program. However, these activities continue to rely on unrestricted General Fund resources in order to maintain a positive balance. The School District's emergency replacement levy was passed in November of 2011, and generates 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.

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**Rolling Hills Local School District, Ohio**

*Statement of Net Position*

*June 30, 2015*

|                                            | Governmental<br>Activities  |
|--------------------------------------------|-----------------------------|
| <b>Assets</b>                              |                             |
| Equity in Pooled Cash and Cash Equivalents | \$5,650,555                 |
| Inventory Held for Resale                  | 6,767                       |
| Materials and Supplies Inventory           | 29,899                      |
| Accounts Receivable                        | 135,420                     |
| Intergovernmental Receivable               | 448,102                     |
| Prepaid Items                              | 40,135                      |
| Property Taxes Receivable                  | 6,538,055                   |
| Nondepreciable Capital Assets              | 214,502                     |
| Depreciable Capital Assets, Net            | 9,369,120                   |
| <i>Total Assets</i>                        | <u>22,432,555</u>           |
| <b>Deferred Outflows of Resources</b>      |                             |
| Pensions                                   | 1,441,682                   |
| <b>Liabilities</b>                         |                             |
| Accounts Payable                           | 81,868                      |
| Accrued Wages and Benefits Payable         | 1,336,589                   |
| Accrued Interest Payable                   | 1,424                       |
| Matured Compensated Absences Payable       | 106,451                     |
| Intergovernmental Payable                  | 427,813                     |
| Claims Payable                             | 360,612                     |
| Long-Term Liabilities:                     |                             |
| Due within One Year                        | 156,822                     |
| Due in More than One Year                  |                             |
| Net Pension Liability (See Note 12)        | 20,579,749                  |
| Other Amounts Due in More Than One Year    | 1,123,888                   |
| <i>Total Liabilities</i>                   | <u>24,175,216</u>           |
| <b>Deferred Inflows of Resources</b>       |                             |
| Property Taxes                             | 3,737,985                   |
| Pensions                                   | 3,722,705                   |
| <i>Total Deferred Inflows of Resources</i> | <u>7,460,690</u>            |
| <b>Net Position</b>                        |                             |
| Net Investment in Capital Assets           | 9,110,798                   |
| Restricted for:                            |                             |
| Debt Service                               | 28,859                      |
| Unclaimed Monies                           | 5,819                       |
| State Programs                             | 15,373                      |
| Federal Programs                           | 167,115                     |
| Classroom Facilities Maintenance           | 30,599                      |
| Unrestricted (Deficit)                     | <u>(17,120,232)</u>         |
| <i>Total Net Position</i>                  | <u><u>(\$7,761,669)</u></u> |

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June, 30, 2015*

|                                                                      | Expenses            | Program Revenues                     |                                          | Net (Expense)                             |
|----------------------------------------------------------------------|---------------------|--------------------------------------|------------------------------------------|-------------------------------------------|
|                                                                      |                     | Charges for<br>Services<br>and Sales | Operating<br>Grants and<br>Contributions | Revenue and<br>Changes in<br>Net Position |
|                                                                      |                     |                                      |                                          | Governmental<br>Activities                |
| <b>Governmental Activities</b>                                       |                     |                                      |                                          |                                           |
| Instruction:                                                         |                     |                                      |                                          |                                           |
| Regular                                                              | \$7,649,560         | \$737,171                            | \$1,018,033                              | (\$5,894,356)                             |
| Special                                                              | 2,428,567           | 134,245                              | 1,186,148                                | (1,108,174)                               |
| Vocational                                                           | 196,502             | 0                                    | 121,533                                  | (74,969)                                  |
| Student Intervention Services                                        | 1,739,613           | 0                                    | 0                                        | (1,739,613)                               |
| Support Services:                                                    |                     |                                      |                                          |                                           |
| Pupils                                                               | 469,204             | 0                                    | 43,301                                   | (425,903)                                 |
| Instructional Staff                                                  | 920,554             | 0                                    | 297,201                                  | (623,353)                                 |
| Board of Education                                                   | 19,710              | 0                                    | 0                                        | (19,710)                                  |
| Administration                                                       | 1,459,430           | 0                                    | 82,844                                   | (1,376,586)                               |
| Fiscal                                                               | 531,772             | 0                                    | 834                                      | (530,938)                                 |
| Operation and Maintenance of Plant                                   | 1,897,403           | 33,130                               | 18,685                                   | (1,845,588)                               |
| Pupil Transportation                                                 | 1,029,352           | 2,211                                | 51,917                                   | (975,224)                                 |
| Central                                                              | 103,972             | 0                                    | 0                                        | (103,972)                                 |
| Operation of Non-Instructional Services:                             |                     |                                      |                                          |                                           |
| Food Service Operations                                              | 984,324             | 185,518                              | 650,550                                  | (148,256)                                 |
| Community Services                                                   | 2,742               | 0                                    | 2,189                                    | (553)                                     |
| Shared Services                                                      | 443,488             | 0                                    | 0                                        | (443,488)                                 |
| Extracurricular Activities                                           | 481,959             | 259,815                              | 0                                        | (222,144)                                 |
| Interest and Fiscal Charges                                          | 22,461              | 0                                    | 0                                        | (22,461)                                  |
| <b>Totals</b>                                                        | <b>\$20,380,613</b> | <b>\$1,352,090</b>                   | <b>\$3,473,235</b>                       | <b>(15,555,288)</b>                       |
| <b>General Revenues</b>                                              |                     |                                      |                                          |                                           |
| Property Taxes Levied for General Purposes                           |                     |                                      |                                          | 5,569,123                                 |
| Grants and Entitlements not Restricted to Specific Programs          |                     |                                      |                                          | 9,678,359                                 |
| Investment Earnings                                                  |                     |                                      |                                          | 10,559                                    |
| Miscellaneous                                                        |                     |                                      |                                          | 112,316                                   |
| <i>Total General Revenues</i>                                        |                     |                                      |                                          | <u>15,370,357</u>                         |
| <i>Change in Net Position</i>                                        |                     |                                      |                                          | (184,931)                                 |
| <i>Net Position at Beginning of Year -<br/>Restated (See Note 3)</i> |                     |                                      |                                          | <u>(7,576,738)</u>                        |
| <i>Net Position at End of Year</i>                                   |                     |                                      |                                          | <u><u>(\$7,761,669)</u></u>               |

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2015*

|                                                                               | <u>General</u>             | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------------------------------------------------|----------------------------|-----------------------------------------|-----------------------------------------|
| <b>Assets</b>                                                                 |                            |                                         |                                         |
| Equity in Pooled Cash and Cash Equivalents                                    | \$5,078,667                | \$105,356                               | \$5,184,023                             |
| Receivables:                                                                  |                            |                                         |                                         |
| Property Taxes                                                                | 6,538,055                  | 0                                       | 6,538,055                               |
| Accounts                                                                      | 4,896                      | 33                                      | 4,929                                   |
| Intergovernmental                                                             | 21,252                     | 426,850                                 | 448,102                                 |
| Interfund                                                                     | 131,644                    | 0                                       | 131,644                                 |
| Prepaid Items                                                                 | 39,314                     | 821                                     | 40,135                                  |
| Inventory Held for Resale                                                     | 0                          | 6,767                                   | 6,767                                   |
| Materials and Supplies Inventory                                              | 25,051                     | 4,848                                   | 29,899                                  |
| Restricted Assets                                                             |                            |                                         |                                         |
| Equity in Pooled Cash and Cash Equivalents                                    | 5,819                      | 0                                       | 5,819                                   |
| <b>Total Assets</b>                                                           | <b><u>\$11,844,698</u></b> | <b><u>\$544,675</u></b>                 | <b><u>\$12,389,373</u></b>              |
| <b>Liabilities and Fund Balances</b>                                          |                            |                                         |                                         |
| <b>Liabilities</b>                                                            |                            |                                         |                                         |
| Accounts Payable                                                              | \$77,968                   | \$3,900                                 | \$81,868                                |
| Accrued Wages and Benefits Payable                                            | 1,174,749                  | 161,840                                 | 1,336,589                               |
| Interfund Payable                                                             | 0                          | 131,644                                 | 131,644                                 |
| Matured Compensated Absences Payable                                          | 106,451                    | 0                                       | 106,451                                 |
| Intergovernmental Payable                                                     | 382,706                    | 45,107                                  | 427,813                                 |
| <b>Total Liabilities</b>                                                      | <b><u>1,741,874</u></b>    | <b><u>342,491</u></b>                   | <b><u>2,084,365</u></b>                 |
| <b>Deferred Inflows of Resources</b>                                          |                            |                                         |                                         |
| Property Taxes                                                                | 3,737,985                  | 0                                       | 3,737,985                               |
| Unavailable Revenue                                                           | 885,343                    | 221,956                                 | 1,107,299                               |
| <b>Total Deferred Inflows of Resources</b>                                    | <b><u>4,623,328</u></b>    | <b><u>221,956</u></b>                   | <b><u>4,845,284</u></b>                 |
| <b>Fund Balances</b>                                                          |                            |                                         |                                         |
| Nonspendable                                                                  |                            |                                         |                                         |
| Inventories                                                                   | 25,051                     | 4,848                                   | 29,899                                  |
| Prepaid Items                                                                 | 39,314                     | 821                                     | 40,135                                  |
| Unclaimed Monies                                                              | 5,819                      | 0                                       | 5,819                                   |
| Restricted for:                                                               |                            |                                         |                                         |
| Classroom Facilities Maintenance                                              | 0                          | 30,599                                  | 30,599                                  |
| Debt Service                                                                  | 0                          | 53,545                                  | 53,545                                  |
| State Grant Expenditures                                                      | 0                          | 15,373                                  | 15,373                                  |
| Committed to:                                                                 |                            |                                         |                                         |
| Encumbrances                                                                  | 28,835                     | 0                                       | 28,835                                  |
| Assigned to:                                                                  |                            |                                         |                                         |
| Purchases on Order                                                            | 518,199                    | 0                                       | 518,199                                 |
| Subsequent Year Appropriations                                                | 552,603                    | 0                                       | 552,603                                 |
| School Support Services                                                       | 70,820                     | 0                                       | 70,820                                  |
| Unassigned (Deficits)                                                         | 4,238,855                  | (124,958)                               | 4,113,897                               |
| <b>Total Fund Balances</b>                                                    | <b><u>5,479,496</u></b>    | <b><u>(19,772)</u></b>                  | <b><u>5,459,724</u></b>                 |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b> | <b><u>\$11,844,698</u></b> | <b><u>\$544,675</u></b>                 | <b><u>\$12,389,373</u></b>              |

See accompanying notes to the basic financial statements

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

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|                                         |             |
|-----------------------------------------|-------------|
| <b>Total Governmental Fund Balances</b> | \$5,459,724 |
|-----------------------------------------|-------------|

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

|                                                                                                                         |           |
|-------------------------------------------------------------------------------------------------------------------------|-----------|
| Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 9,583,622 |
|-------------------------------------------------------------------------------------------------------------------------|-----------|

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

|                           |                |           |
|---------------------------|----------------|-----------|
| Delinquent Property Taxes | 880,447        |           |
| Tuition and Fees          | 4,896          |           |
| Charges for Services      | 33             |           |
| Grants                    | <u>221,923</u> | 1,107,299 |

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

|                             |                     |              |
|-----------------------------|---------------------|--------------|
| Deferred Outflows - Pension | 1,441,682           |              |
| Deferred Inflows - Pension  | (3,722,705)         |              |
| Net Pension Liability       | <u>(20,579,749)</u> | (22,860,772) |

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.

230,592

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

|                                                    |                |                    |
|----------------------------------------------------|----------------|--------------------|
| General Obligation Notes Serial/Term               | (445,000)      |                    |
| Capital Appreciation Notes                         | (27,824)       |                    |
| Accretion of Interest - Capital Appreciation Notes | (30,254)       |                    |
| Bond Premium                                       | (23,262)       |                    |
| Compensated Absences                               | (754,370)      |                    |
| Accrued Interest Payable                           | <u>(1,424)</u> | <u>(1,282,134)</u> |

|                                         |                             |
|-----------------------------------------|-----------------------------|
| Net Position of Governmental Activities | <u><u>(\$7,761,669)</u></u> |
|-----------------------------------------|-----------------------------|

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

|                                                     | General            | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------|--------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                     |                    |                                |                                |
| Property Taxes                                      | \$5,709,043        | \$0                            | \$5,709,043                    |
| Intergovernmental                                   | 10,532,761         | 2,861,854                      | 13,394,615                     |
| Investment Earnings                                 | 10,559             | 4                              | 10,563                         |
| Tuition and Fees                                    | 871,137            | 35,880                         | 907,017                        |
| Charges for Services                                | 0                  | 185,710                        | 185,710                        |
| Extracurricular                                     | 75,657             | 150,963                        | 226,620                        |
| Rent                                                | 2,656              | 30,000                         | 32,656                         |
| Gifts and Donations                                 | 179,345            | 14,500                         | 193,845                        |
| Miscellaneous                                       | 101,453            | 10,863                         | 112,316                        |
| <i>Total Revenues</i>                               | <u>17,482,611</u>  | <u>3,289,774</u>               | <u>20,772,385</u>              |
| <b>Expenditures</b>                                 |                    |                                |                                |
| Current:                                            |                    |                                |                                |
| Instruction:                                        |                    |                                |                                |
| Regular                                             | 6,933,682          | 814,685                        | 7,748,367                      |
| Special                                             | 2,056,390          | 374,335                        | 2,430,725                      |
| Vocational                                          | 196,927            | 0                              | 196,927                        |
| Student Intervention Services                       | 1,740,514          | 0                              | 1,740,514                      |
| Support Services:                                   |                    |                                |                                |
| Pupils                                              | 448,134            | 31,153                         | 479,287                        |
| Instructional Staff                                 | 553,476            | 360,313                        | 913,789                        |
| Board of Education                                  | 21,691             | 0                              | 21,691                         |
| Administration                                      | 1,392,971          | 90,295                         | 1,483,266                      |
| Fiscal                                              | 528,501            | 2,622                          | 531,123                        |
| Operation and Maintenance of Plant                  | 1,732,984          | 50,652                         | 1,783,636                      |
| Pupil Transportation                                | 899,222            | 112,178                        | 1,011,400                      |
| Central                                             | 104,364            | 0                              | 104,364                        |
| Operation of Non-Instructional Services:            |                    |                                |                                |
| Food Service Operations                             | 0                  | 955,042                        | 955,042                        |
| Community Services                                  | 444                | 2,298                          | 2,742                          |
| Shared Services                                     | 0                  | 443,488                        | 443,488                        |
| Extracurricular Activities                          | 101,602            | 325,731                        | 427,333                        |
| Capital Outlay                                      | 19,725             | 0                              | 19,725                         |
| Debt Service:                                       |                    |                                |                                |
| Principal Retirement                                | 0                  | 50,000                         | 50,000                         |
| Interest and Fiscal Charges                         | 0                  | 17,590                         | 17,590                         |
| <i>Total Expenditures</i>                           | <u>16,730,627</u>  | <u>3,630,382</u>               | <u>20,361,009</u>              |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>751,984</u>     | <u>(340,608)</u>               | <u>411,376</u>                 |
| <b>Other Financing Sources (Uses)</b>               |                    |                                |                                |
| Transfers In                                        | 0                  | 243,079                        | 243,079                        |
| Transfers Out                                       | (243,079)          | 0                              | (243,079)                      |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(243,079)</u>   | <u>243,079</u>                 | <u>0</u>                       |
| <i>Net Change in Fund Balance</i>                   | 508,905            | (97,529)                       | 411,376                        |
| <i>Fund Balances at Beginning of Year</i>           | <u>4,970,591</u>   | <u>77,757</u>                  | <u>5,048,348</u>               |
| <i>Fund Balances at End of Year</i>                 | <u>\$5,479,496</u> | <u>(\$19,772)</u>              | <u>\$5,459,724</u>             |

See accompanying notes to the basic financial statements

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

**Net Change in Fund Balances - Total Governmental Funds** \$411,376

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

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

Depreciation Expense (556,681)

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

|                           |                  |           |
|---------------------------|------------------|-----------|
| Delinquent Property Taxes | (139,920)        |           |
| Tuition and Fees          | 279              |           |
| Charges for Services      | (192)            |           |
| Grants                    | <u>(511,557)</u> | (651,390) |

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

General Obligation Notes 50,000

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

|                                |                |         |
|--------------------------------|----------------|---------|
| Accrued Interest Payable       | 84             |         |
| Amortization of Serial Premium | 2,585          |         |
| Annual Accretion               | <u>(7,540)</u> | (4,871) |

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.

108,995

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

1,247,718

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

(858,577)

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

|                             |  |               |
|-----------------------------|--|---------------|
| Sick Leave Benefits Payable |  | <u>68,499</u> |
|-----------------------------|--|---------------|

*Change in Net Position of Governmental Activities*

(\$184,931)

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Fiscal Year Ended June 30, 2015

|                                                     | <u>Budgeted Amounts</u> |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------------------------------|-------------------------|--------------------|--------------------|---------------------------------------------------------|
|                                                     | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>      |                                                         |
| <b>Revenues</b>                                     |                         |                    |                    |                                                         |
| Property Taxes                                      | \$5,466,837             | \$5,466,837        | \$5,670,725        | \$203,888                                               |
| Intergovernmental                                   | 10,203,066              | 10,203,066         | 10,583,593         | 380,527                                                 |
| Investment Earnings                                 | 10,179                  | 10,179             | 10,559             | 380                                                     |
| Tuition and Fees                                    | 839,816                 | 839,816            | 871,137            | 31,321                                                  |
| Rent                                                | 2,561                   | 2,561              | 2,656              | 95                                                      |
| Gifts and Donations                                 | 158,692                 | 158,692            | 164,610            | 5,918                                                   |
| Miscellaneous                                       | 97,805                  | 97,805             | 101,453            | 3,648                                                   |
| <i>Total Revenues</i>                               | <u>16,778,956</u>       | <u>16,778,956</u>  | <u>17,404,733</u>  | <u>625,777</u>                                          |
| <b>Expenditures</b>                                 |                         |                    |                    |                                                         |
| Current:                                            |                         |                    |                    |                                                         |
| Instruction:                                        |                         |                    |                    |                                                         |
| Regular                                             | 6,738,109               | 6,738,109          | 6,893,647          | (155,538)                                               |
| Special                                             | 2,118,013               | 2,118,013          | 2,125,618          | (7,605)                                                 |
| Vocational                                          | 263,784                 | 263,784            | 250,829            | 12,955                                                  |
| Student Intervention Services                       | 1,686,160               | 1,686,160          | 1,733,244          | (47,084)                                                |
| Support Services:                                   |                         |                    |                    |                                                         |
| Pupils                                              | 336,385                 | 336,385            | 341,017            | (4,632)                                                 |
| Instructional Staff                                 | 575,048                 | 575,048            | 580,952            | (5,904)                                                 |
| Board of Education                                  | 18,593                  | 18,593             | 19,053             | (460)                                                   |
| Administration                                      | 1,450,454               | 1,450,454          | 1,431,616          | 18,838                                                  |
| Fiscal                                              | 536,898                 | 536,898            | 535,744            | 1,154                                                   |
| Operation and Maintenance of Plant                  | 2,261,681               | 2,261,681          | 2,135,813          | 125,868                                                 |
| Pupil Transportation                                | 917,507                 | 917,507            | 923,596            | (6,089)                                                 |
| Central                                             | 103,270                 | 103,270            | 105,863            | (2,593)                                                 |
| Operation of Non-Instructional Services             | 354                     | 354                | 364                | (10)                                                    |
| Extracurricular Activities                          | 106,214                 | 106,214            | 108,912            | (2,698)                                                 |
| Capital Outlay                                      | 22,418                  | 22,418             | 19,725             | 2,693                                                   |
| <i>Total Expenditures</i>                           | <u>17,134,888</u>       | <u>17,134,888</u>  | <u>17,205,993</u>  | <u>(71,105)</u>                                         |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(355,932)</u>        | <u>(355,932)</u>   | <u>198,740</u>     | <u>554,672</u>                                          |
| <b>Other Financing Uses</b>                         |                         |                    |                    |                                                         |
| Transfers Out                                       | (236,466)               | (236,466)          | (243,079)          | (6,613)                                                 |
| <i>Net Change in Fund Balance</i>                   | (592,398)               | (592,398)          | (44,339)           | 548,059                                                 |
| <i>Fund Balance at Beginning of Year</i>            | 4,191,347               | 4,191,347          | 4,191,347          | 0                                                       |
| Prior Year Encumbrances Appropriated                | 396,965                 | 396,965            | 396,965            | 0                                                       |
| <i>Fund Balance at End of Year</i>                  | <u>\$3,995,914</u>      | <u>\$3,995,914</u> | <u>\$4,543,973</u> | <u>\$548,059</u>                                        |

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Fund Net Position*

*Medical Self-Insurance Internal Service Fund*

*June 30, 2015*

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**Current Assets**

|                                            |                |
|--------------------------------------------|----------------|
| Equity in Pooled Cash and Cash Equivalents | \$460,713      |
| Accounts Receivable                        | <u>130,491</u> |
| Total Assets                               | <u>591,204</u> |

**Current Liabilities**

|                |                |
|----------------|----------------|
| Claims Payable | <u>360,612</u> |
|----------------|----------------|

**Net Position**

|              |                         |
|--------------|-------------------------|
| Unrestricted | <u><u>\$230,592</u></u> |
|--------------|-------------------------|

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Medical Self-Insurance Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2015*

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**Operating Revenues**

Charges for Services \$3,115,208

**Operating Expenses**

Purchased Services 553,403

Claims 2,452,810

Total Operating Expenses 3,006,213

Operating Income 108,995

Net Position at Beginning of Year 121,597

Net Position at End of Year \$230,592

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Cash Flows*

*Medical Self-Insurance Internal Service Fund*

*For the Fiscal Year Ended June 30, 2015*

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**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

|                                                |                    |
|------------------------------------------------|--------------------|
| Cash Received from Interfund Services Provided | \$3,115,208        |
| Cash Payments for Services                     | (553,403)          |
| Cash Payments for Claims                       | <u>(2,299,320)</u> |

Net Cash Provided by Operating Activities 262,485

Cash and Cash Equivalents at Beginning of Year 198,228

Cash and Cash Equivalents at End of Year \$460,713

**Reconciliation of Operating Income to**

**Net Cash Provided by Operating Activities**

Operating Income \$108,995

**Changes in Assets and Liabilities**

|                                 |                |
|---------------------------------|----------------|
| Increase in Accounts Receivable | (5,522)        |
| Increase in Claims Payable      | <u>159,012</u> |

Net Cash Provided by Operating Activities \$262,485

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2015*

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|                                                  | Private Purpose |          |
|--------------------------------------------------|-----------------|----------|
|                                                  | Trust           | Agency   |
|                                                  | <hr/>           | <hr/>    |
| <b>Assets</b>                                    |                 |          |
| Equity in Pooled Cash and Cash Equivalents       | \$9,538         | \$41,521 |
| Cash and Cash Equivalents in Segregated Accounts | 0               | 7,851    |
| Cash and Cash Equivalents with Fiscal Agents     | 1,026,264       | 0        |
|                                                  | <hr/>           | <hr/>    |
| Total Assets                                     | 1,035,802       | \$49,372 |
|                                                  | <hr/>           | <hr/>    |
| <b>Liabilities</b>                               |                 |          |
| Undistributed Monies                             | 0               | \$14,085 |
| Due to Students                                  | 0               | 35,287   |
|                                                  | <hr/>           | <hr/>    |
| Total Liabilities                                | 0               | \$49,372 |
|                                                  | <hr/>           | <hr/>    |
| <b>Net Position</b>                              |                 |          |
| Held in Trust for Scholarships                   | \$1,035,802     |          |
|                                                  | <hr/>           |          |

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2015*

|                                              | Private Purpose<br>Trust  |
|----------------------------------------------|---------------------------|
| <b>Additions</b>                             |                           |
| Interest                                     | \$18,136                  |
| Increase in Fair Market Value                | 1,980                     |
|                                              | <u>20,116</u>             |
| <i>Total Additions</i>                       |                           |
| <b>Deductions</b>                            |                           |
| Payments in Accordance with Trust Agreements | 40,300                    |
| Contractual Services                         | 14,100                    |
|                                              | <u>54,400</u>             |
| <i>Total Deductions</i>                      |                           |
| Change in Net Position                       | (34,284)                  |
| Net Position at Beginning of Year            | 1,070,086                 |
|                                              | <u>1,070,086</u>          |
| Net Position at End of Year                  | <u><u>\$1,035,802</u></u> |

See accompanying notes to the basic financial statements

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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## **Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's six instructional/support facilities staffed by 126 classified employees and 148 certified teaching and administrative personnel who provide services to 1,872 students and other community members.

### ***Reporting Entity***

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

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

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

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

## **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting

# Rolling Hills Local School District, Ohio

## *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

### ***A. Basis of Presentation***

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

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

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

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

### ***B. Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources,

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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and liabilities and deferred inflows of resources is reported as fund balance. The General Fund is the only major fund of the School District.

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

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

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

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

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

## **C. Measurement Focus**

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

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

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Fund Net Position. The Statement of Changes in Fund Net Position presents

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

### ***D. Basis of Accounting***

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

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

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

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition and fees, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

## ***E. Cash and Cash Equivalents***

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

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$10,559, which includes \$2,214 assigned from other School District funds.

During fiscal year 2015, 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, 2015.

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

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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## ***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

## ***G. Inventory***

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

## ***H. Capital Assets***

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

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

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

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

## ***I. Internal Activity***

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### ***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.

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

### ***L. Accrued Liabilities and Long-term Obligations***

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

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

### ***M. 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.

## Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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### ***N. Note Premiums***

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

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

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

### ***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 are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

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

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

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

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

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### ***P. Pensions***

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

### ***Q. Estimates***

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

### ***R. Net Position***

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

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

### ***S. 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.

### ***T. 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.

### ***U. Budgetary Process***

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

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object levels.

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

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

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

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

At June 30, 2014, the School District's capital assets were overstated. During fiscal year 2015, the School District completed a revaluation of capital assets, which resulted in a change to beginning balance.

The implementation of this pronouncement and the capital asset adjustment had the following effects on net position as reported June 30, 2014:

|                                                            |                             |
|------------------------------------------------------------|-----------------------------|
| Net Position June 30, 2014                                 | \$18,013,070                |
| Adjustments:                                               |                             |
| Net Pension Liability                                      | (24,454,148)                |
| Deferred Outflow - Payments Subsequent to Measurement Date | 1,204,235                   |
| Net Investment in Capital Assets                           | <u>(2,339,895)</u>          |
| Restated Net Position June 30, 2014                        | <u><u>(\$7,576,738)</u></u> |

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

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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## Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2015:

|                               | <u>Deficit</u> |
|-------------------------------|----------------|
| <b>Special Revenue Funds:</b> |                |
| Food Service                  | \$57,699       |
| Miscellaneous Local Funds     | 6,782          |
| Race to the Top               | 10             |
| Title I                       | 26,310         |
| Miscellaneous Federal Grants  | 28,488         |

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

## Note 5 - Budgetary Basis of Accounting

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

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

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

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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## Net Change in Fund Balance

|                                                                                                                                                                             |                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| GAAP Basis                                                                                                                                                                  | \$508,905                |
| Revenue Accruals                                                                                                                                                            | (77,878)                 |
| Expenditure Accruals                                                                                                                                                        | 49,164                   |
| Prepaid Items:                                                                                                                                                              |                          |
| Beginning of Year                                                                                                                                                           | 39,326                   |
| End of Year                                                                                                                                                                 | (39,314)                 |
| Cash Deficits                                                                                                                                                               | 126,365                  |
| To reclassify excess of revenues and other sources of<br>financial resources over expenditures and other uses<br>of financial resources into financial statement fund types | (55,203)                 |
| Encumbrances                                                                                                                                                                | <u>(595,704)</u>         |
| Budget Basis                                                                                                                                                                | <u><u>(\$44,339)</u></u> |

### Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$646,603 of the School District's bank balance of \$5,976,902 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments** As of June 30, 2015, the School District had monies invested in STAROhio. The fair value of the investment in STAROhio is \$82,169 and the fund had an average maturity of 53.4 days at fiscal year end.

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

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

At June 30, 2015, the School District's Private Purpose Trust Fund had an investment balance of \$1,026,262 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](http://www.appalachianohio.org).

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### **Note 7 - Property Taxes**

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

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

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

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

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

The amount available as an advance, and recognized as revenue at June 30, 2015, was \$1,919,623 in the General Fund. At June 30, 2014, \$1,881,305 was available in the General Fund.

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

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

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

|                                               | 2014 Second<br>Half Collections |               | 2015 First<br>Half Collections |               |
|-----------------------------------------------|---------------------------------|---------------|--------------------------------|---------------|
|                                               | Amount                          | Percent       | Amount                         | Percent       |
|                                               | Agricultural/Residential        | \$177,407,590 | 71.32%                         | \$183,765,150 |
| Public Utility Personal                       | 71,356,370                      | 28.68%        | 69,847,160                     | 27.54%        |
| Total                                         | \$248,763,960                   | 100.00%       | \$253,612,310                  | 100.00%       |
| Tax Rate per \$1,000 of Assessed<br>Valuation | \$24.90                         |               | \$24.80                        |               |

### Note 8 - Receivables

Receivables at June 30, 2015, consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| Governmental Activities        | Amounts   |
|--------------------------------|-----------|
| CAFS                           | \$8,568   |
| State Foundation               | 12,684    |
| Race to the Top                | 34,962    |
| Ohio Teachers Initiative Grant | 28,044    |
| Title I                        | 241,825   |
| Title II-A                     | 29,860    |
| Title VI-B                     | 903       |
| Idea-B                         | 91,256    |
| Total                          | \$448,102 |

### Note 9 - Significant Commitments

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

|                             |           |
|-----------------------------|-----------|
| General                     | \$598,520 |
| Nonmajor Governmental Funds | 60,787    |
| Total                       | \$659,307 |

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### Note 10 - Capital Assets

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

|                                                | Balance at<br>6/30/14 | Additions   | Deductions | Balance at<br>6/30/15 |
|------------------------------------------------|-----------------------|-------------|------------|-----------------------|
| Capital Assets:                                |                       |             |            |                       |
| Nondepreciable Capital Assets:                 |                       |             |            |                       |
| Land                                           | \$214,502             | \$0         | \$0        | \$214,502             |
| Depreciable Capital Assets:                    |                       |             |            |                       |
| Land Improvements                              | 2,660,075             | 0           | 0          | 2,660,075             |
| Buildings and Improvements                     | 18,741,896            | 0           | 0          | 18,741,896            |
| Furniture, Fixtures, and Equipment             | 3,687,927             | 0           | 0          | 3,687,927             |
| Vehicles                                       | 1,484,005             | 0           | 0          | 1,484,005             |
| Total Depreciable Capital Assets               | 26,573,903            | 0           | 0          | 26,573,903            |
| Less Accumulated Depreciation:                 |                       |             |            |                       |
| Land Improvements                              | (1,070,530)           | (139,521)   | 0          | (1,210,051)           |
| Buildings and Improvements                     | (10,866,170)          | (340,194)   | 0          | (11,206,364)          |
| Furniture, Fixtures, and Equipment             | (3,374,989)           | (51,843)    | 0          | (3,426,832)           |
| Vehicles                                       | (1,336,413)           | (25,123)    | 0          | (1,361,536)           |
| Total Accumulated Depreciation                 | (16,648,102)          | (556,681) * | 0          | (17,204,783)          |
| Total Capital Assets being<br>Depreciated, Net | 9,925,801             | (556,681)   | 0          | 9,369,120             |
| Capital Assets, Net                            | \$10,140,303          | (\$556,681) | \$0        | \$9,583,622           |

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

|                                    |           |
|------------------------------------|-----------|
| Instruction:                       |           |
| Regular                            | \$187,296 |
| Special                            | 32,850    |
| Vocational                         | 6,213     |
| Support Services:                  |           |
| Pupils                             | 15,335    |
| Instructional Staff                | 26,855    |
| Administration                     | 28,585    |
| Fiscal                             | 6,799     |
| Operation and Maintenance of Plant | 108,463   |
| Pupil Transportation               | 27,656    |
| Central                            | 2,266     |
| Food Service Operations            | 44,154    |
| Extracurricular Activities         | 70,209    |
| Total Depreciation Expense         | \$556,681 |

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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## Note 11 - Risk Management

### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2015, the School District contracted with the Ohio School Plan (OSP) for the following coverage:

|                                      |              |                      |
|--------------------------------------|--------------|----------------------|
| Commercial Property Coverage Blanket | \$69,810,933 | \$1,000 deductible   |
| Commercial Crime Coverage            | 25,000       | 1,000 deductible     |
| Fleet Insurance:                     |              |                      |
| Liability                            | 3,000,000    | any one accident     |
| Auto Medical Payments                | 5,000        | any one accident     |
| Uninsured Motorists                  | 1,000,000    | any one accident     |
| Comprehensive                        | Cash Value   | 250/1,000 deductible |
| Collision                            | Cash Value   | 500/1,000 deductible |
| General Liability:                   |              |                      |
| Educational General Liability        | 3,000,000    | each occurrence      |
| Personal and Advertising Injury      | 3,000,000    | each offense         |
| Medical Expense                      | 10,000       | each accident        |
| General Aggregate                    | 5,000,000    |                      |
| Products Aggregate                   | 3,000,000    |                      |
| Employee Benefits Liability          | 3,000,000    | 2,500 Deductible     |
| Aggregate                            | 5,000,000    |                      |
| Employers' Liability                 | 3,000,000    |                      |
| Errors and Omissions                 | 3,000,000    |                      |
| Aggregate                            | 5,000,000    |                      |
| Employment Practices                 | 3,000,000    |                      |
| Aggregate                            | 5,000,000    |                      |

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2014.

### B. Workers' Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

### C. Employee Medical Benefits

The School District has elected to provide employee medical/surgical, dental, and prescription drug benefits through a self-insured plan. Medical Benefits Administrators, Inc. serves as claims servicer for this coverage. The claims liability of \$360,612 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrator and the requirements of Governmental

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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 2014 and 2015 were:

|                                                | <u>Balance at<br/>Beginning of Year</u> | <u>Current Year<br/>Claims</u> |     | <u>Claims<br/>Payments</u> | <u>Balance at<br/>End of Year</u> |
|------------------------------------------------|-----------------------------------------|--------------------------------|-----|----------------------------|-----------------------------------|
| 2014                                           | \$213,200                               | \$3,005,516                    |     | \$3,017,116                | \$201,600                         |
| 2015                                           | 201,600                                 | 2,458,332                      | (1) | 2,299,320                  | 360,612                           |
| (1) Claims Expense                             |                                         | \$2,452,810                    |     |                            |                                   |
| Increase in Stop Loss Reimbursement Receivable |                                         | 5,522                          |     |                            |                                   |
| Current Year Claims                            |                                         | <u>\$2,458,332</u>             |     |                            |                                   |

### Note 12 - Defined Benefit Pension Plans

#### A. Net Pension Liability

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

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

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

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

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was \$279,828 for fiscal year 2015. Of this amount \$38,845 is reported as an intergovernmental payable.

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contributions to STRS was \$967,890 for fiscal year 2015. Of this amount \$128,771 is reported as an intergovernmental payable.

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

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

|                                                  | SERS        | STRS         | Total        |
|--------------------------------------------------|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$3,727,891 | \$16,851,858 | \$20,579,749 |
| Proportion of the Net Pension Liability          | 0.073660%   | 0.06928232%  |              |
| Pension Expense                                  | \$211,740   | \$646,837    | \$858,577    |

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

|                                                                                  | SERS      | STRS        | Total       |
|----------------------------------------------------------------------------------|-----------|-------------|-------------|
| <b>Deferred Outflows of Resources</b>                                            |           |             |             |
| Differences between expected and actual experience                               | \$31,728  | \$162,236   | \$193,964   |
| School District contributions subsequent to the measurement date                 | 279,828   | 967,890     | 1,247,718   |
| Total Deferred Outflows of Resources                                             | \$311,556 | \$1,130,126 | \$1,441,682 |
| <b>Deferred Inflows of Resources</b>                                             |           |             |             |
| Net difference between projected and actual earnings on pension plan investments | \$605,047 | \$3,117,658 | \$3,722,705 |

\$1,247,718 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

|                             | SERS        | STRS          | Total         |
|-----------------------------|-------------|---------------|---------------|
| Fiscal Year Ending June 30: |             |               |               |
| 2016                        | (\$143,250) | (\$738,855)   | (\$882,105)   |
| 2017                        | (143,250)   | (738,855)     | (882,105)     |
| 2018                        | (143,250)   | (738,855)     | (882,105)     |
| 2019                        | (143,569)   | (738,857)     | (882,426)     |
| Total                       | (\$573,319) | (\$2,955,422) | (\$3,528,741) |

### ***Actuarial Assumptions - SERS***

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

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

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

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

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

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

|                                                                    | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$5,318,592            | \$3,727,891                         | \$2,389,973            |

### **Actuarial Assumptions - STRS**

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

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

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

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

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

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

|                                                                    | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$24,125,272           | \$16,851,858                        | \$10,700,997           |

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### ***B. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2015, none of the members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 13 - Postemployment Benefits**

#### ***A. School Employees Retirement System***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$36,311.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$17,410, \$39,434, and \$39,161 respectively. For fiscal year 2015, 94.14 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### ***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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can be obtained by visiting [www.strsoh.org](http://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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$0, \$71,302, and \$75,357 respectively. The full amount has been contributed for all three fiscal years.

### **Note 14 - Employee Benefits**

#### ***A. Compensated Absences***

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

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

#### ***B. Insurance Benefits***

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

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### Note 15 - Long-Term Obligations

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

|                                                        | Principal<br>Outstanding<br>6/30/14 | Additions        | Deductions         | Principal<br>Outstanding<br>6/30/15 | Amounts<br>Due in<br>One Year |
|--------------------------------------------------------|-------------------------------------|------------------|--------------------|-------------------------------------|-------------------------------|
| <b>Governmental Activities:</b>                        |                                     |                  |                    |                                     |                               |
| 2010 Energy Conservation Notes                         |                                     |                  |                    |                                     |                               |
| Serial/Term Notes 2.0% - 4.15%                         | \$495,000                           | \$0              | \$50,000           | \$445,000                           | \$45,000                      |
| Capital Appreciation Notes 14.41%                      | 27,824                              | 0                | 0                  | 27,824                              | 0                             |
| Accretion on Capital Appreciation Bonds                | 22,714                              | 7,540            | 0                  | 30,254                              | 0                             |
| CAB Premium                                            | 25,847                              | 0                | 2,585              | 23,262                              | 0                             |
|                                                        | <u>571,385</u>                      | <u>7,540</u>     | <u>52,585</u>      | <u>526,340</u>                      | <u>45,000</u>                 |
| Net Pension Liability:                                 |                                     |                  |                    |                                     |                               |
| STRS                                                   | 20,073,824                          | 0                | 3,221,966          | 16,851,858                          | 0                             |
| SERS                                                   | 4,380,324                           | 0                | 652,433            | 3,727,891                           | 0                             |
| Total Net Pension Liability                            | <u>24,454,148</u>                   | <u>0</u>         | <u>3,874,399</u>   | <u>20,579,749</u>                   | <u>0</u>                      |
| Sick Leave Benefits Payable                            | <u>822,869</u>                      | <u>97,345</u>    | <u>165,844</u>     | <u>754,370</u>                      | <u>111,822</u>                |
| Total Governmental Activities<br>Long-Term Liabilities | <u>\$25,848,402</u>                 | <u>\$104,885</u> | <u>\$4,092,828</u> | <u>\$21,860,459</u>                 | <u>\$156,822</u>              |

Compensated Absences will be paid from the General Fund and the Food Service Special Revenue Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 12.

**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 Ohio 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) was 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, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

| <u>Date</u> | <u>Principal Amount<br/>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<br/>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 2015 amounted to \$7,540, leaving a total note liability of \$58,078.

Principal and Interest requirements to retire the remaining outstanding notes for the 2010 Energy Conservation Notes outstanding at June 30, 2015 are as follows:

| Fiscal Year | Serial/Term Notes |           | Capital Appreciation Notes |           | Total     |                        |
|-------------|-------------------|-----------|----------------------------|-----------|-----------|------------------------|
|             | Principal         | Interest  | Principal                  | Accretion | Principal | Accretion/<br>Interest |
| 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        | 0                 | 18,675    | 12,946                     | 37,055    | 12,946    | 55,730                 |
| 2021-2025   | 300,000           | 24,900    | 0                          | 0         | 300,000   | 24,900                 |
| Totals      | \$445,000         | \$100,496 | \$27,824                   | \$72,176  | \$472,824 | \$172,672              |

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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The overall debt margin of the School District as of June 30, 2015, was \$22,875,115, with an unvoted debt margin of \$253,573.

### Note 16 - Interfund Activity

#### A. Transfers

During fiscal year 2015, the General Fund made transfers to the Debt Service Fund, Food Service, Miscellaneous Local Grants, and Miscellaneous State Grants Special Revenue Funds in the amounts of \$37,096, \$50,719, \$140,264, and \$15,000, respectively. The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### B. Interfund Balances

Interfund receivables and payables at June 30, 2015; consist of the following individual balances, representing monies advanced to special revenue funds to be repaid to the General Fund when grant funds are received

|                                 | Interfund<br>Receivable | Interfund<br>Payable |
|---------------------------------|-------------------------|----------------------|
| General Fund                    | \$131,644               | \$0                  |
| Nonmajor Special Revenue Funds: |                         |                      |
| Miscellaneous Local Funds       | 0                       | 5,279                |
| Race to the Top                 | 0                       | 28,570               |
| Title I                         | 0                       | 44,679               |
| Miscellaneous Federal Grants    | 0                       | 53,116               |
| Total All Funds                 | \$131,644               | \$131,644            |

### Note 17 - Jointly Governed Organizations

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

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council 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 2015, the total amount paid to OME-RESA from the School District was \$59,312 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, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### ***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 2015, 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 2015, the School District made a payment of \$742 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 2015. 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, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### ***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 2015, 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 18 - Insurance Purchasing Pools**

#### ***A. Ohio School Plan***

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

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

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

### **Note 19 - Set-Aside Calculations**

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

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

|                                                             | <u>Capital<br/>Improvements</u> |
|-------------------------------------------------------------|---------------------------------|
| Set-Aside Reserve Balance as of<br>as of June 30, 2014      | \$0                             |
| Current Year Set-Aside Requirement                          | 298,224                         |
| Current Year Qualifying Expenditures                        | <u>(320,524)</u>                |
| Totals                                                      | <u><u>(\$22,300)</u></u>        |
| Set-Aside Balance Carried Forward<br>to Future Fiscal Years | <u><u>\$0</u></u>               |

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

## Note 20 - Contingencies

### A. Grants

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

### B. Litigation

At June 30, 2015, the School District was not party to any legal proceedings.

### C. Foundation

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

## Note 21 - Subsequent Event

On August 31, 2015, the School District entered into a service agreement with Foxfire East Academy, a community school, for fiscal year 2016.

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

|                                                                                                                    | 2014        | 2013        |
|--------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability                                                          | 0.073660%   | 0.073660%   |
| School District's Proportionate Share of the Net Pension Liability                                                 | \$3,727,891 | \$4,380,324 |
| School District's Covered-Employee Payroll                                                                         | \$2,098,514 | \$2,125,463 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 177.64%     | 206.09%     |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                         | 71.70%      | 65.52%      |

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

|                                                                                                                    | 2014         | 2013         |
|--------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| School District's Proportion of the Net Pension Liability                                                          | 0.06928232%  | 0.06928232%  |
| School District's Proportionate Share of the Net Pension Liability                                                 | \$16,851,858 | \$20,073,824 |
| School District's Covered-Employee Payroll                                                                         | \$7,026,007  | \$7,535,677  |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 239.85%      | 266.38%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                         | 74.70%       | 69.30%       |

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

|                                                                         | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|-------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                     | \$279,828        | \$290,854        | \$294,164        | \$296,253        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(279,828)</u> | <u>(290,854)</u> | <u>(294,164)</u> | <u>(296,253)</u> |
| Contribution Deficiency (Excess)                                        | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| School District Covered-Employee Payroll                                | \$2,123,126      | \$2,098,514      | \$2,125,463      | \$2,202,627      |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 13.18%           | 13.86%           | 13.84%           | 13.45%           |

| <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      | <u>2006</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$283,387        | \$297,137        | \$222,300        | \$216,320        | \$226,807        | \$243,830        |
| <u>(283,387)</u> | <u>(297,137)</u> | <u>(222,300)</u> | <u>(216,320)</u> | <u>(226,807)</u> | <u>(243,830)</u> |
| <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| \$2,254,474      | \$2,194,512      | \$2,259,150      | \$2,202,848      | \$2,123,660      | \$2,304,631      |
| 12.57%           | 13.54%           | 9.84%            | 9.82%            | 10.68%           | 10.58%           |

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

|                                                                         | 2015             | 2014             | 2013             | 2012             |
|-------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                     | \$967,890        | \$913,381        | \$979,638        | \$942,959        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(967,890)</u> | <u>(913,381)</u> | <u>(979,638)</u> | <u>(942,959)</u> |
| Contribution Deficiency (Excess)                                        | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| School District Covered-Employee Payroll                                | \$6,913,500      | \$7,026,007      | \$7,535,677      | \$7,253,531      |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 14.00%           | 13.00%           | 13.00%           | 13.00%           |

| 2011             | 2010             | 2009             | 2008             | 2007             | 2006             |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$878,599        | \$863,588        | \$833,049        | \$863,907        | \$875,445        | \$756,239        |
| <u>(878,599)</u> | <u>(863,588)</u> | <u>(833,049)</u> | <u>(863,907)</u> | <u>(875,445)</u> | <u>(756,239)</u> |
| <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| \$6,758,454      | \$6,642,985      | \$6,408,069      | \$6,645,438      | \$6,734,192      | \$5,817,223      |
| 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           |

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**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <b>FEDERAL GRANTOR/<br/>Pass-Through Grantor<br/>Program Title</b> | Grant<br>Year | Federal<br>CFDA<br>Number | Receipts                  | Expenditures              |
|--------------------------------------------------------------------|---------------|---------------------------|---------------------------|---------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                       |               |                           |                           |                           |
| <i>Passed-Through Ohio Department of Education.</i>                |               |                           |                           |                           |
| Child Nutrition Cluster:                                           |               |                           |                           |                           |
| Non-Cash Assistance:                                               |               |                           |                           |                           |
| National School Lunch Program - Food Distribution                  | N/A           | 10.555                    | \$51,513                  | \$51,513                  |
| Cash Assistance:                                                   |               |                           |                           |                           |
| School Breakfast Program                                           | 2015          | 10.553                    | 186,428                   | 186,428                   |
| National School Lunch Program                                      | 2015          | 10.555                    | 391,305                   | 391,305                   |
| Cash Assistance Subtotal                                           |               |                           | <u>577,733</u>            | <u>577,733</u>            |
| Total Child Nutrition Cluster                                      |               |                           | 629,246                   | 629,246                   |
| Total U.S. Department of Agriculture                               |               |                           | 629,246                   | 629,246                   |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                         |               |                           |                           |                           |
| <i>Passed-Through Ohio Department of Education.</i>                |               |                           |                           |                           |
| Title I Grants to Local Educational Agencies                       | 2014          | 84.010                    | 145,697                   | 99,917                    |
|                                                                    | 2015          |                           | <u>542,670</u>            | <u>587,345</u>            |
| Total Title I Grants to Local Educational Agencies                 |               |                           | 688,367                   | 687,262                   |
| Special Education Cluster:                                         |               |                           |                           |                           |
| Special Education, Grants to States                                | 2014          | 84.027                    | 94,579                    | 59,618                    |
|                                                                    | 2015          |                           | <u>297,402</u>            | <u>325,261</u>            |
| Total Special Education, Grants to States                          |               |                           | 391,981                   | 384,879                   |
| Special Education - Preschool Grants                               | 2015          | 84.173                    | <u>14,224</u>             | <u>14,224</u>             |
| Total Special Education Cluster                                    |               |                           | 406,205                   | 399,103                   |
| Rural Education                                                    | 2014          | 84.358                    | 1,850                     | 0                         |
|                                                                    | 2015          |                           | <u>29,425</u>             | <u>30,246</u>             |
| Total Rural Education                                              |               |                           | 31,275                    | 30,246                    |
| Improving Teacher Quality State Grants                             | 2014          | 84.367                    | 33,724                    | 22,569                    |
|                                                                    | 2015          |                           | <u>93,036</u>             | <u>101,137</u>            |
| Total Improving Teacher Quality State Grants                       |               |                           | 126,760                   | 123,706                   |
| Teacher Incentive Fund                                             |               |                           |                           |                           |
| Ohio Teacher Incentive                                             | 2014          | 84.374                    | 41,710                    | 17,797                    |
|                                                                    | 2015          |                           | 47,397                    | 61,108                    |
| Batelle Supplemental                                               | 2014          |                           | 25,968                    | 2,958                     |
| Ohio Teacher Incentive Payout                                      | 2015          |                           | 198,173                   | 198,173                   |
| Teacher Leadership                                                 | 2014          |                           | 95,678                    | 0                         |
| Assessment Literacy                                                | 2014          |                           | 585                       | 96                        |
|                                                                    | 2015          |                           | <u>88,527</u>             | <u>91,430</u>             |
| Total Teacher Incentive Fund                                       |               |                           | 498,038                   | 371,562                   |
| ARRA - Race-to-the-Top Incentive Grants                            |               |                           |                           |                           |
| Race to the Top                                                    | 2014          | 84.395                    | 41,752                    | 1,182                     |
|                                                                    | 2015          |                           | 22,157                    | 37,742                    |
| Race to the Top Mini Grant                                         | 2014          |                           | 1,623                     | 0                         |
|                                                                    | 2015          |                           | 83                        | 13,061                    |
| Ohio Appalachian Collaborative (OAC)                               | 2014          |                           | 45,309                    | 41,421                    |
|                                                                    | 2015          |                           | 1,050                     | 1,050                     |
| Ohio Appalachian Collaborative (OAC) Additional                    | 2014          |                           | 14,032                    | 14,032                    |
| Ohio Performance Assessment Pilot Project                          | 2014          |                           | 9,798                     | 0                         |
| Total ARRA Race to the Top Incentive Grants                        |               |                           | <u>135,804</u>            | <u>108,488</u>            |
| Total U.S. Department of Education                                 |               |                           | <u>1,886,449</u>          | <u>1,720,367</u>          |
| <b>Total Federal Awards Receipts and Expenditures</b>              |               |                           | <b><u>\$2,515,695</u></b> | <b><u>\$2,349,613</u></b> |

*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, 2015**

**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.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 26, 2016. We noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the School District completed a revaluation of capital assets.

### ***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 26, 2016



# 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, 2015. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with 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.

### ***Opinion on Each Major Federal Program***

In our opinion, the Rolling Hills Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

***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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 26, 2016

**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

| Finding Number | Finding Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 2014-001       | 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 or other substitute system has been approved by the cognizant Federal agency. Appendix B(8)(h)(5) also states that personnel activity reports or equivalent documentation must meet certain standards. During fiscal year 2014, the School District provided personnel activity reports 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 from the Race to the Top, Title I, and Teacher Incentive funds. | Yes              | N/A                                                                                                                                    |



# 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  
MAY 10, 2016