



Mary Taylor, CPA  
Auditor of State



**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on March 24, 2006 due to the School District's declining financial condition. Note 20 to the financial statements describes management's plans regarding these matters and the School District's current financial status. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by 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 basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 19, 2010

**Rolling Hills Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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The discussion and analysis of the Rolling Hills Local School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2009 are as follows:

- Net assets of governmental activities increased \$432,880.
- General revenues accounted for \$14,660,968 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$4,464,800, or 23 percent of total revenues of \$19,125,768.
- The School District had \$18,692,888 in expenses related to governmental activities; only \$4,464,800 of these expenses were offset by program specific charges for services, grants and contributions. General revenues in the amount of \$14,660,968 were adequate to provide for the remainder of these activities.

The School District has one major fund, the General Fund. The General Fund had \$15,684,300 in revenues and \$15,652,969 in expenditures and other financing uses. The General Fund's balance increased \$31,331.

**Using this Annual Financial Report**

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

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

**Rolling Hills Local School District, Ohio**  
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**Reporting the School District as a Whole**

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Reporting the School District's Most Significant Fund**

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the General Fund.

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

**Rolling Hills Local School District, Ohio**  
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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

**Table 1**  
**Net Assets**

	<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$9,141,117	\$9,195,297	(\$54,180)
Capital Assets	11,996,854	12,357,803	(360,949)
<b>Total Assets</b>	<u>21,137,971</u>	<u>21,553,100</u>	<u>(415,129)</u>
<b>Liabilities</b>			
Long-Term Liabilities	1,526,850	2,024,280	(497,430)
Other Liabilities	5,221,235	5,571,814	(350,579)
<b>Total Liabilities</b>	<u>6,748,085</u>	<u>7,596,094</u>	<u>(848,009)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	11,996,854	12,032,803	(35,949)
Restricted	1,906,407	1,853,086	53,321
Unrestricted	486,625	71,117	415,508
<b>Total Net Assets</b>	<u>\$14,389,886</u>	<u>\$13,957,006</u>	<u>\$432,880</u>

Total assets decreased \$415,129. The decrease in capital assets of \$360,949 is the result of depreciation exceeding asset additions in the current year.

Total liabilities decreased \$848,009. The decrease is primarily due to principal payments for general obligation bonds in the amount of \$325,000 and a decrease in deferred revenue in the amount of \$380,561 from the prior year. Current property taxes receivable, which is deferred, has decreased due to the retirement of the School District's general obligation bonds as mentioned above. These bonds were being retired from a voted levy.

Total net assets increased \$432,880 for the reasons stated above. Specifically, unrestricted net assets increased by \$415,508. The balances of the School District's General Fund and the internal service fund makes up the majority of unrestricted net assets.

**Rolling Hills Local School District, Ohio**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for fiscal year 2009, and comparisons to fiscal year 2008.

**Table 2**  
**Change in Net Assets**

<b>Revenues</b>	Governmental Activities		
	2009	2008	Change
Program Revenues			
Charges for Services	\$893,557	\$1,048,546	(\$154,989)
Operating Grants and Contributions	3,544,693	2,896,322	648,371
Capital Grants and Contributions	26,550	28,547	(1,997)
Total Program Revenues	<u>4,464,800</u>	<u>3,973,415</u>	<u>491,385</u>
General Revenue			
Property Taxes	4,721,996	5,414,604	(692,608)
Grants and Entitlements	9,769,764	9,194,727	575,037
Investment Earnings	38,990	134,398	(95,408)
Miscellaneous	130,218	141,039	(10,821)
Total General Revenues	<u>14,660,968</u>	<u>14,884,768</u>	<u>(223,800)</u>
Total Revenues	<u>19,125,768</u>	<u>18,858,183</u>	<u>267,585</u>
<b>Program Expenses</b>			
Instruction:			
Regular	8,465,487	8,516,398	50,911
Special	1,952,146	1,951,525	(621)
Vocational	337,186	351,231	14,045
Support Services:			
Pupils	659,920	668,812	8,892
Instructional Staff	1,371,329	1,126,208	(245,121)
Board of Education	36,693	28,620	(8,073)
Administration	1,431,702	1,384,883	(46,819)
Fiscal	535,421	552,652	17,231
Operation and Maintenance of Plant	1,619,206	1,683,657	64,451
Pupil Transportation	922,145	923,010	865
Central	21,870	29,362	7,492
Operation of Non-Instructional Services:			
Food Service Operations	1,048,512	991,995	(56,517)
Other Non-Instructional Services	11,452	9,905	(1,547)
Extracurricular Activities	267,514	260,924	(6,590)
Interest	12,305	41,555	29,250
Total Expenses	<u>18,692,888</u>	<u>18,520,737</u>	<u>(172,151)</u>
<b>Change in Net Assets</b>	432,880	337,446	95,434
Net Assets Beginning of Year	<u>13,957,006</u>	<u>13,619,560</u>	<u>337,446</u>
Net Assets End of Year	<u><u>\$14,389,886</u></u>	<u><u>\$13,957,006</u></u>	<u><u>\$432,880</u></u>

**Rolling Hills Local School District, Ohio**  
*Management's Discussion and Analysis*  
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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 the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 25 percent of revenues for governmental activities for Rolling Hills Local School District in fiscal year 2009.

While the School District operates a very tight budget, revenue sources are projected to keep pace with expenses through 2011 in the General Fund. Realistically changes are going to have to be made to increase revenues or decrease expenses. Enrollment is also a factor in the finances of the School District. The School District lost \$654,328 through open enrollment and \$146,814 to community schools in fiscal year 2009.

Instructional programs comprise approximately 58 percent of total governmental program expenses. Of the instructional expenses, approximately 79 percent is for regular instruction, 18 percent for special instruction, and 3 percent for vocational instruction.

The largest fluctuation in program revenues was an increase in operating grants and contributions in the amount of \$648,371. Title I special instruction funding received from the State increased approximately \$190,000 from the prior year. The School District received approximately \$120,000 more in special education weighted funding from the State compared to the prior year. Amounts received from state and federal grants used for instructional staff activities increased approximately \$154,000 from the prior year. The largest change in general revenues is the result of a decrease in property taxes in the amount of \$692,608. This decrease is due to the elimination of a tax levy that was used to retire general obligation bonds as discussed earlier and the phase out of tangible personal property taxes.

The decrease in instructional staff expenses is largely the result of the reduction in termination benefits for employees whose salaries and benefits were paid from this service while employed with the School District.

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

**Rolling Hills Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Instruction:				
Regular	\$8,465,487	\$7,775,776	\$8,516,398	\$7,660,004
Special	1,952,146	416,962	1,951,525	799,550
Vocational	337,186	218,888	351,231	263,422
Support Services:				
Pupils	659,920	606,799	668,812	530,444
Instructional Staff	1,371,329	695,762	1,126,208	604,565
Board of Education	36,693	36,693	28,620	28,620
Administration	1,431,702	1,414,112	1,384,883	1,355,305
Fiscal	535,421	534,935	552,652	552,652
Operation and Maintenance of Plant	1,619,206	1,532,647	1,683,657	1,603,525
Pupil Transportation	922,145	877,168	923,010	886,041
Central	21,870	19,737	29,362	24,594
Operation of Non-Instructional Services:				
Food Service Operations	1,048,512	77,508	991,995	113,487
Other Non-Instructional Services	11,452	2,890	9,905	(1,308)
Extracurricular Activities	267,514	5,906	260,924	84,866
Interest	12,305	12,305	41,555	41,555
Total Expenses	<u>\$18,692,888</u>	<u>\$14,228,088</u>	<u>\$18,520,737</u>	<u>\$14,547,322</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, with 77 percent of the School District's activities being supported primarily through taxes and intergovernmental revenues. 23 percent of total governmental activities are supported by program revenues in the form of charges for services, operating grants, capital grants, and contributions.

**The School District's Funds**

The School District's governmental funds are accounted for on the modified accrual basis of accounting. All governmental funds had total revenues in the amount of \$18,642,223 and expenditures in the amount of \$18,600,814. Total fund balances decreased \$158,591 including other financing sources and uses. The minimal net change in fund balance is the result of the School District's efforts in matching expenditures to fixed revenue streams. The General Fund had total revenues in the amount of \$15,684,300 and total expenditures in the amount of \$15,342,155. The net change in fund balance in the amount of \$31,331 reflects that the School District is meeting its obligations but has to prudently monitor the financial status of factors that are out of the School District's control.

**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.

**Rolling Hills Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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During the course of fiscal 2009, the School District amended its General Fund budget. However, estimated revenue amendments were minimal and appropriation amendments were significant for the regular instruction line item. This line item had final appropriations in the amount of \$13,093,271, \$668,779 above original appropriations of \$12,424,492, mainly due to an increase in open enrollment. For the General Fund, final budgeted revenues were \$15,715,137. The General Fund actual revenues were \$15,675,261, which was \$39,876 lower than the budgeted revenues. Ending appropriations for the General Fund were \$16,012,724. This was \$351,206 higher than actual expenditures of \$15,661,518.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2009, the School District had \$11,996,854 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. During fiscal year 2009, the School District purchased land improvements, buildings and improvements, and furniture and equipment. See Note 9 for additional information regarding capital assets.

*Debt*

During 2009, the School District retired the 1985 general obligation bonds outstanding. The bonds were issued for school facilities construction and improvements. See Note 15 for more detailed information of the School District's debt.

**Set-asides**

For fiscal year 2009, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials. For fiscal year 2009 this amounted to \$295,503 for each set aside. For fiscal year 2009, the School District did have qualifying disbursements exceeding the \$295,503 requirement for textbooks and instructional materials. However, the accumulated prior years' balances still required cash to be restricted and a reserve created for the requirement for textbooks and instructional materials. The School District did not have qualifying disbursements or offsets exceeding the \$295,503 requirement for capital maintenance. This difference, along with the accumulated prior years' balances, required cash to be restricted and a reserve created for this set-aside. See Note 19 for more detailed information of the School District's set-asides.

**Economic Factors**

The School District ended fiscal year 2009 with an overall increase in net assets. Based on the current financial situation, the School District will be proactive in making additional cuts to keep expenses in line with revenues for the 2010 fiscal year. A retirement incentive plan has been implemented for the teaching staff and twenty-three teachers have accepted it over the last four fiscal years. The athletic activities are being supported out of athletic booster donations and fees collected in a pay-to-participate program. The School District's five year forecast reflects a \$554,429 carryover at the end of fiscal year 2009. The School District's emergency replacement levy, which was on the November 2006 ballot, passed, and will maintain revenues of approximately \$1,400,000 annually. Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure the future financial stability of the School District.

**Rolling Hills Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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**Contacting the School District's Financial Management**

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

**Rolling Hills Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2009*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,625,624
Accounts Receivable	123,768
Intergovernmental Receivable	649,737
Prepaid Items	52,755
Inventory Held for Resale	7,112
Materials and Supplies Inventory	94,170
Property Taxes Receivable	5,587,951
Nondepreciable Capital Assets	214,502
Depreciable Capital Assets, Net	11,782,352
Total Assets	21,137,971
<b>Liabilities</b>	
Accounts Payable	50,665
Accrued Wages and Benefits Payable	1,575,296
Intergovernmental Payable	425,807
Claims Payable	321,200
Deferred Revenue	2,729,337
Retirement Incentive Payable	10,000
Matured Compensated Absences Payable	108,930
Long-Term Liabilities:	
Due Within One Year	382,752
Due In More Than One Year	1,144,098
Total Liabilities	6,748,085
<b>Net Assets</b>	
Invested in Capital Assets	11,996,854
Restricted for:	
Debt Service	64,112
Other Purposes	1,114,575
Textbooks and Instructional Materials	534,993
Capital Improvements	153,187
Bus Purchase	37,456
Unclaimed Monies	2,084
Unrestricted	486,625
Total Net Assets	\$14,389,886

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2009*

	Expenses	Program Revenues		Governmental Activities	Net Expense and Change in Net Assets
		Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$8,465,487	\$376,086	\$313,625	\$0	(\$7,775,776)
Special	1,952,146	19,532	1,515,652	0	(416,962)
Vocational	337,186	0	118,298	0	(218,888)
Support Services:					
Pupils	659,920	0	53,121	0	(606,799)
Instructional Staff	1,371,329	0	660,567	15,000	(695,762)
Board of Education	36,693	0	0	0	(36,693)
Administration	1,431,702	0	17,590	0	(1,414,112)
Fiscal	535,421	0	486	0	(534,935)
Operation and Maintenance of Plant	1,619,206	62,666	23,893	0	(1,532,647)
Pupil Transportation	922,145	14,687	18,740	11,550	(877,168)
Central	21,870	0	2,133	0	(19,737)
Operation of Non-Instructional Services:					
Food Service Operations	1,048,512	279,776	691,228	0	(77,508)
Other Non-Instructional Services	11,452	0	8,562	0	(2,890)
Extracurricular Activities	267,514	140,810	120,798	0	(5,906)
Interest	12,305	0	0	0	(12,305)
<b>Total Governmental Activities</b>	<b>\$18,692,888</b>	<b>\$893,557</b>	<b>\$3,544,693</b>	<b>\$26,550</b>	<b>(14,228,088)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					4,721,996
Grants and Entitlements not Restricted to Specific Programs					9,769,764
Investment Earnings					38,990
Miscellaneous					130,218
<b>Total General Revenues</b>					<b>14,660,968</b>
Change in Net Assets					432,880
Net Assets Beginning of Year					13,957,006
Net Assets End of Year					<b>\$14,389,886</b>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$730,445	\$1,017,974	\$1,748,419
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	727,720	0	727,720
Accounts Receivable	23,212	4,961	28,173
Interfund Receivable	71,068	0	71,068
Intergovernmental Receivable	2,230	647,507	649,737
Prepaid Items	51,866	889	52,755
Inventory Held for Resale	0	7,112	7,112
Materials and Supplies Inventory	90,350	3,820	94,170
Property Taxes Receivable	5,587,951	0	5,587,951
Total Assets	<u>\$7,284,842</u>	<u>\$1,682,263</u>	<u>\$8,967,105</u>
<b>Liabilities</b>			
Matured Compensated Absences Payable	\$108,930	\$0	\$108,930
Accounts Payable	46,534	4,131	50,665
Accrued Wages and Benefits Payable	1,320,324	254,972	1,575,296
Retirement Incentive Payable	10,000	0	10,000
Interfund Payable	0	71,068	71,068
Deferred Revenue	4,296,974	450,894	4,747,868
Intergovernmental Payable	322,468	103,339	425,807
Total Liabilities	<u>6,105,230</u>	<u>884,404</u>	<u>6,989,634</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	245,027	124,981	370,008
Reserved for Textbooks and Instructional Materials	534,993	0	534,993
Reserved for Capital Improvements	153,187	0	153,187
Reserved for Property Taxes	1,314,679	0	1,314,679
Reserved for Bus Purchase	37,456	0	37,456
Reserved for Unclaimed Monies	2,084	0	2,084
Unreserved:			
Undesignated, Reported in:			
General Fund (Deficit)	(1,107,814)	0	(1,107,814)
Special Revenue Funds	0	608,766	608,766
Debt Service Fund	0	64,112	64,112
Total Fund Balances	<u>1,179,612</u>	<u>797,859</u>	<u>1,977,471</u>
Total Liabilities and Fund Balances	<u>\$7,284,842</u>	<u>\$1,682,263</u>	

**Amounts reported for governmental activities in the statement of net assets are different because of the following:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 11,996,854

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

Property Taxes	1,543,935	
Grants	452,004	
Accounts Receivable	<u>22,592</u>	2,018,531

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. (76,120)

Compensated absences and retirement incentives are not due and payable in the current period and, therefore, are not reported in the funds. (1,526,850)

Net Assets of Governmental Activities \$14,389,886

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, 2009*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$4,504,735	\$13,980	\$4,518,715
Intergovernmental	10,613,865	2,211,545	12,825,410
Investment Earnings	37,103	0	37,103
Tuition and Fees	411,268	40,634	451,902
Extracurricular Activities	0	104,556	104,556
Rentals	5,306	57,360	62,666
Charges for Services	0	279,776	279,776
Contributions and Donations	79,394	151,443	230,837
Miscellaneous	32,629	98,629	131,258
<b>Total Revenues</b>	<b>15,684,300</b>	<b>2,957,923</b>	<b>18,642,223</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	8,081,299	223,177	8,304,476
Special	1,434,773	514,294	1,949,067
Vocational	322,358	0	322,358
Support Services:			
Pupils	530,697	108,630	639,327
Instructional Staff	656,471	652,642	1,309,113
Board of Education	36,693	0	36,693
Administration	1,383,264	7,680	1,390,944
Fiscal	520,918	1,622	522,540
Operation and Maintenance of Plant	1,493,641	161,714	1,655,355
Pupil Transportation	767,211	23,645	790,856
Central	16,101	2,541	18,642
Operation of Non-Instructional Services:			
Food Service Operations	0	989,647	989,647
Other Non-Instructional Services	211	11,241	11,452
Extracurricular Activities	21,822	222,201	244,023
Capital Outlay	76,696	0	76,696
Debt Service:			
Principal Retirement	0	325,000	325,000
Interest and Fiscal Charges	0	14,625	14,625
<b>Total Expenditures</b>	<b>15,342,155</b>	<b>3,258,659</b>	<b>18,600,814</b>
Excess of Revenues Over (Under) Expenditures:	342,145	(300,736)	41,409
<b>Other Financing Source (Use)</b>			
Transfers In	0	110,814	110,814
Transfers Out	(310,814)	0	(310,814)
<b>Total Other Financing Source (Use)</b>	<b>(310,814)</b>	<b>110,814</b>	<b>(200,000)</b>
<b>Net Change in Fund Balances</b>	<b>31,331</b>	<b>(189,922)</b>	<b>(158,591)</b>
Fund Balances Beginning of Year	1,148,281	987,781	2,136,062
Fund Balances End of Year	\$1,179,612	\$797,859	\$1,977,471

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Reconciliation of the Net Change in Fund Balances of Governmental  
Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

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Net Change in Fund Balances - Total Governmental Funds (\$158,591)

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

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 outlay in the current period:

Capital Assets Additions	184,843	
Current Year Depreciation	(514,340)	(329,497)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss has been reported which represents the net carrying value of the assets at the time of disposal. (31,452)

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

Intergovernmental	284,877	
Property Taxes	203,281	
Tuition and Fees	(5,343)	
Miscellaneous	(1,157)	481,658

Compensated absences and retirement incentives do not require the use of current financial resources, therefore; are not reported as expenditures in governmental funds. 172,430

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 325,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,320

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. The net change of the internal service fund is reported with governmental activities. (28,988)

Change in Net Assets of Governmental Activities \$432,880

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$4,190,713	\$4,245,353	\$4,529,779	\$284,426
Intergovernmental	10,653,735	10,789,326	10,592,290	(197,036)
Investment Earnings	117,976	120,000	37,103	(82,897)
Tuition and Fees	438,929	445,000	405,448	(39,552)
Rentals	6,000	6,000	5,306	(694)
Contributions and Donations	79,007	81,031	79,394	(1,637)
Miscellaneous	26,403	28,427	25,941	(2,486)
<b>Total Revenues</b>	<b>15,512,763</b>	<b>15,715,137</b>	<b>15,675,261</b>	<b>(39,876)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,424,492	13,093,271	8,065,167	5,028,104
Special	779,420	820,199	1,468,869	(648,670)
Vocational	39,271	39,271	333,409	(294,138)
Support Services:				
Pupils	26,407	26,407	578,978	(552,571)
Instructional Staff	45,504	49,582	668,837	(619,255)
Board of Education	24,377	24,377	50,789	(26,412)
Administration	62,028	66,106	1,374,636	(1,308,530)
Fiscal	289,960	306,272	531,910	(225,638)
Operation and Maintenance of Plant	1,217,669	1,282,916	1,696,042	(413,126)
Pupil Transportation	283,030	299,342	778,397	(479,055)
Central	4,681	4,681	16,708	(12,027)
Operation of Non-Instructional Services:				
Other Non-Instructional Services	300	300	211	89
Extracurricular Activities	0	0	20,516	(20,516)
Capital Outlay	0	0	77,049	(77,049)
<b>Total Expenditures</b>	<b>15,197,139</b>	<b>16,012,724</b>	<b>15,661,518</b>	<b>351,206</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>315,624</b>	<b>(297,587)</b>	<b>13,743</b>	<b>311,330</b>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	340,902	340,902
Insurance Recoveries	0	0	4,654	4,654
Refund of Prior Year Expenditures	0	0	2,084	2,084
Refund of Prior Year Receipts	0	0	(125)	(125)
Transfers Out	(175,000)	(175,000)	(310,814)	(135,814)
Advances Out	(400,000)	(400,000)	(253,678)	146,322
<b>Total Other Financing Sources (Uses)</b>	<b>(575,000)</b>	<b>(575,000)</b>	<b>(216,977)</b>	<b>358,023</b>
<b>Net Change in Fund Balance</b>	<b>(259,376)</b>	<b>(872,587)</b>	<b>(203,234)</b>	<b>669,353</b>
Fund Balance Beginning of Year	1,058,948	1,058,948	1,058,948	0
Prior Year Encumbrances Appropriated	338,308	338,308	338,308	0
<b>Fund Balance End of Year</b>	<b>\$1,137,880</b>	<b>\$524,669</b>	<b>\$1,194,022</b>	<b>\$669,353</b>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2009*

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	Medical-Dental-Prescription Self-Insurance
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$149,485
Accounts Receivable	95,595
Total Current Assets	<u>245,080</u>
<b>Current Liabilities</b>	
Claims Payable	<u>321,200</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(\$76,120)</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 Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Medical-Dental-Prescription Self-Insurance
<b>Operating Revenues</b>	
Charges for Services	\$2,761,070
<b>Operating Expenses</b>	
Purchased Services	470,998
Claims	2,520,947
Total Operating Expenses	2,991,945
Operating Loss	(230,875)
<b>Non-Operating Revenue</b>	
Interest Income	1,887
Loss Before Transfers	(228,988)
Transfers In	200,000
Change in Net Assets	(28,988)
Net Assets (Deficit) at Beginning of Year	(47,132)
Net Assets (Deficit) at End of Year	(\$76,120)

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Cash Flows*

*Internal Service Fund*

*For the Fiscal Year Ended June 30, 2009*

	<u>Medical-Dental-Prescription Self-Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$2,761,070
Cash Payments to Suppliers for Services	(470,998)
Cash Payments for Claims	<u>(2,284,742)</u>
Net Cash Provided by Operating Activities	5,330
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers In	200,000
Advances Out	<u>(86,336)</u>
Net Cash Provided by Noncapital Financing Activities	113,664
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>1,887</u>
Net Increase in Cash and Cash Equivalents	120,881
Cash and Cash Equivalents Beginning of Year	<u>28,604</u>
Cash and Cash Equivalents End of Year	<u><u>\$149,485</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating Loss	(\$230,875)
<b>Changes in Assets and Liabilities</b>	
Decrease in Stop Loss Reimbursement Receivable	208,505
Increase in Claims Payable	<u>27,700</u>
Total Changes in Assets and Liabilities	236,205
Net Cash Provided by Operating Activities	<u><u>\$5,330</u></u>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2009*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,016	\$27,837
Cash and Cash Equivalents in Segregated Accounts	0	9,425
Total Assets	<u>10,016</u>	<u>\$37,262</u>
<b>Liabilities</b>		
Undistributed Monies	0	\$18,090
Due to Students	0	19,172
Total Liabilities	<u>0</u>	<u>\$37,262</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$10,016</u>	

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Changes in Fiduciary Net Assets*

*Fiduciary Fund*

*For the Fiscal Year Ended June 30, 2009*

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	Private Purpose Trust
<b>Additions</b>	
Interest	\$168
Net Assets Beginning of Year	<u>9,848</u>
Net Assets End of Year	<u><u>\$10,016</u></u>

See accompanying notes to the basic financial statements

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**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

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

The School District operates under a locally-elected five member Board of Education. The School District provides educational services as authorized by its charter and further mandated by state and federal agencies. This Board controls the School District’s six instructional support facilities staffed by 89 classified employees, 119 certificated teaching employees, and 25 administrative personnel who provide services to 1,946 students.

The Superintendent of Public Instruction declared the Rolling Hills Local School District in a state of fiscal caution effective March 24, 2006. See Note 20 for more information.

*Reporting Entity*

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

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

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

The School District participates in five jointly governed organizations and one group insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (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, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. Additional information concerning these organizations is presented in Notes 16 and 17.

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

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

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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

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

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

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

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

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

**C. Measurement Focus**

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

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

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

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

***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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

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

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

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

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

During fiscal year 2009, investments were limited to a sweep money market savings account which is reported at cost and STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$37,103, which includes \$17,957 assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

***G. Inventory***

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

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

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

**J. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for textbooks and instructional materials, capital improvements, unclaimed monies, and unspent revenues restricted for the purchase of buses. See Note 19 for additional information regarding set asides.

**K. Compensated Absences**

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

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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

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

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

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

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

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

***M. Interfund Transactions***

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

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

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

***N. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, capital improvements, property taxes, textbooks and instructional materials, bus purchase, and unclaimed monies.

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserves for capital improvements and textbooks and instructional materials represent amounts required to be set-aside by statute for capital acquisitions and improvements and the purchase of textbooks and instructional materials. The reserve for bus purchase represents amounts required to be spent on the purchase of buses. The reservation for unclaimed monies is established because, by law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants restricted to expenditures for specified purposes. The government-wide statement of net assets reports \$1,906,407 of restricted net assets of which none have been restricted by enabling legislation.

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

***P. 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.

***Q. 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.

***R. Estimates***

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

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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***S. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

**Note 3 - Change in Accounting Principles**

For fiscal year 2009, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District's financial statements.

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 - Accountability**

The Food Service Special Revenue Fund and the Medical-Dental-Prescription Self-Insurance Internal Service Fund are showing deficit fund balance/net assets at June 30, 2009 in the amounts of \$35,554 and \$76,120, respectively. These deficits are due to adjustments for accrued liabilities. The deficit in the Food Service Special Revenue Fund is due to the failure to adequately fund this program.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

Net Change in Fund Balance	
GAAP Basis	\$31,331
Net Adjustment for Revenue Accruals	(2,301)
Prepaid Items:	
Beginning of Fiscal Year	32,007
End of Fiscal Year	(51,866)
Net Adjustment for Expenditure Accruals	(35,486)
Advances In	140,902
Advances Out	(53,678)
Encumbrances	(264,143)
Budget Basis	<u><u>(\$203,234)</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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of Ohio Revised Code Section 135.18;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$826,201 of the School District's bank balance of \$1,329,042 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

**Investments** As of June 30, 2009, the School District had monies invested in STAROhio. The fair value of the investment in STAROhio is \$1,855,962 and the fund had an average maturity of 58.1 days at fiscal year end.

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

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

## **Note 7 - Property Taxes**

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

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 revenues received in calendar year 2009 represent collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received in calendar 2009 (other than public utility property tax) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008 on the value as of December 31, 2008. Payments made by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Rolling Hills Local School District. The School District receives property taxes from Guernsey, Muskingum, and Noble Counties. The county auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2009, \$1,314,679 was available as an advance in the General Fund. The amount available as an advance at June 30, 2008, was \$1,339,723 in the General Fund, \$19,630 in the Classroom Facilities Special Revenue Fund, and \$10,125 in the Debt Service Fund.

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

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$158,506,080	81.31%	\$165,885,600	87.22%
Public Utility Personal	9,196,990	4.72%	10,155,960	5.34%
General Business Personal	27,242,406	13.97%	14,160,590	7.45%
<b>Total</b>	<b>\$194,945,476</b>	<b>100.00%</b>	<b>\$190,202,150</b>	<b>100.01%</b>
Tax rate per \$1,000 of assessed valuation	\$27.25		\$29.08	

**Note 8 - Receivables**

Receivables at June 30, 2009, consisted of property taxes, accounts (rent and student fees), interfund, 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 year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Poverty Based Assistance	\$2,230
Literacy Improvement Grant	16,110
IDEA Part B Grant	54,214
Title I Grant	280,805
Title I Neglected Grant	65,480
Title I School Improvement	120,000
Title V Grant	3,422
Safe and Drug Free Schools Grant	19,615
Title II-D Grant	10,192
Title II-A Grant	51,171
Title VI-B	23,377
Miscellaneous intergovernmental receivables	3,121
<b>Total</b>	<b>\$649,737</b>

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Nondepreciable Capital Assets</b>				
Land	\$214,502	\$0	\$0	\$214,502
Construction in Progress	65,000	0	(65,000)	0
Total Nondepreciable Capital Assets	<u>279,502</u>	<u>0</u>	<u>(65,000)</u>	<u>214,502</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	689,238	71,597	(56,250)	704,585
Buildings and Improvements	17,906,988	167,179	(28,027)	18,046,140
Furniture and Equipment	1,590,489	11,067	0	1,601,556
Vehicles	1,245,046	0	0	1,245,046
Total at Historical Cost	<u>21,431,761</u>	<u>249,843</u>	<u>(84,277)</u>	<u>21,597,327</u>
Less Accumulated Depreciation				
Land Improvements	(218,430)	(29,012)	30,586	(216,856)
Buildings and Improvements	(7,017,867)	(370,349)	22,239	(7,365,977)
Furniture and Equipment	(1,268,613)	(35,444)	0	(1,304,057)
Vehicles	(848,550)	(79,535)	0	(928,085)
Total Accumulated Depreciation	<u>(9,353,460)</u>	<u>(514,340)*</u>	<u>52,825</u>	<u>(9,814,975)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>12,078,301</u>	<u>(264,497)</u>	<u>(31,452)</u>	<u>11,782,352</u>
Governmental Activities Capital Assets, Net	<u>\$12,357,803</u>	<u>(\$264,497)</u>	<u>(\$96,452)</u>	<u>\$11,996,854</u>

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

Instruction:	
Regular	\$154,011
Special	31,769
Vocational	8,783
Support Services:	
Pupils	20,456
Instructional Staff	50,614
Administration	24,885
Fiscal	5,855
Operation and Maintenance of Plant	52,931
Pupil Transportation	110,263
Central	2,928
Extracurricular	23,491
Operation of Non-Instructional Services:	
Food Service Operations	28,354
Total Depreciation Expense	<u>\$514,340</u>

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 10 - Interfund Transfers and Balances**

Transfers made during fiscal year 2009 consist of the following:

	Transfers In	Transfers Out
General Fund	\$0	\$310,814
Other Non-Major Governmental Funds:		
District Managed Activities	50,814	
Miscellaneous Local Funds	60,000	
Medical-Dental-Prescription Self-Insurance Internal Service Fund	200,000	0
Total	\$310,814	\$310,814

The transfers to the District Managed Activities and Miscellaneous Local Funds Special Revenue Funds were made to move unrestricted revenues collected in the General Fund to help finance various programs accounted for in these funds in accordance with budgetary authorization. The transfer to the self-insurance fund was to help subsidize the net loss that this fund experienced. The School District will be raising premiums in the future to help alleviate this deficit.

Interfund balances at June 30, 2009, consist of the following individual fund receivables and payables:

	Interfund Receivable
Interfund Payable	General Fund
Other Non-Major Governmental Funds:	
Miscellaneous Federal Grants	\$6,142
District Managed Activities	5,427
Miscellaneous Local Funds	9,499
Food Service	50,000
Total	\$71,068

The interfund payable in the Miscellaneous Federal Grants Special Revenue Fund is for money due to the General Fund for a field trip reimbursement. The remaining interfund payables due to the General Fund are for advances to the District Managed Activities, Miscellaneous Local Funds, and Food Service Special Revenue Funds to help cover expenditures as needed in these funds.

**Note 11 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with the Ohio Casualty Insurance Company through Kennedy Insurance Agency. Coverage provided is as follows:

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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Commercial Property Coverage Blanket	\$53,235,577	\$1,000 deductible
Commercial Crime Coverage	\$25,000	\$1,000 deductible
Computer Equipment Coverage	\$10,000 - \$108,090	\$1,000 deductible
Special Property Coverage	\$53,045 - \$273,253	\$1,000 deductible
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Comprehensive	Cash Value	\$250-\$1,000 deductible
Collision	Cash Value	\$500-\$1,000 deductible
General Liability:		
Commercial General Liability	\$1,000,000	each occurrence
Personal and Advertising Injury	\$1,000,000	each offense
Medical Expense	\$15,000	each accident
General Aggregate	\$3,000,000	
Products Aggregate	\$3,000,000	
Employee Benefits Liability	\$1,000,000	\$1,000 Deductible
Aggregate	\$3,000,000	
Employers' Liability	\$1,000,000	
Errors and Omissions	\$1,000,000	
Aggregate	\$1,000,000	
Employment Practices	\$1,000,000	
Aggregate	\$1,000,000	

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2009.

***B. Workers' Compensation***

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Medical Benefits***

The School District has elected to provide employee medical/surgical, dental, and prescription drug benefits through a self-insured plan. Medical Benefits serves as claims servicer for this coverage. The claims liability of \$321,200 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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Changes in the fund's claims liability amount in fiscal years 2008 and 2009 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2008	\$244,100	\$2,732,659	\$2,683,259	\$293,500
2009	293,500	2,312,442 (1)	2,284,742	321,200
(1) Claims Expense		\$2,520,947		
Decrease in Stop Loss Reimbursement Receivable		(208,505)		
Current Year Claims		\$2,312,442		

**Note 12 - Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for classified employees and administrative personnel and 255 days for certified employees. Upon retirement, all employees receive payment for one-fourth of their total sick leave accumulation.

**B. Insurance**

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

**Note 13 - Defined Benefit Pension Plans**

**A. School Employee Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$215,983, \$198,714, and \$219,934, respectively; 45.15 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

### ***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$833,049, \$863,907, and \$875,445, respectively; 83.12 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$2,595 made by the School District and \$9,769 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 14 - Postemployment Benefits**

***A. School Employee Retirement System***

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$98,844, \$137,785, and \$89,703 respectively; 45.15 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$17,820, \$14,772, and \$14,003 respectively; 45.15 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**B. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$64,081, \$66,454, and \$67,342 respectively; 83.12 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Note 15 - Long-Term Obligations**

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

	Outstanding 6/30/2008	Additions	Reductions	Outstanding 6/30/2009	Amounts Due Within One Year
<b>Governmental Activities</b>					
1985 School Facilities Improvement -					
9% General Obligation Bonds	\$325,000	\$0	\$325,000	\$0	\$0
Retirement Incentive	688,000	40,000	192,000	536,000	192,000
Compensated Absences Payable	1,011,280	95,973	116,403	990,850	190,752
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,024,280</u>	<u>\$135,973</u>	<u>\$633,403</u>	<u>\$1,526,850</u>	<u>\$382,752</u>

The 1985 School Facilities Improvement bonds were originally issued in the amount of \$7,435,000 for the purpose of constructing a high school, together with necessary parking, access roads and landscaping; acquiring and improving an existing school building; remodeling, improving and making additions to existing school buildings; and providing a sewage treatment plant, water service, furnishings and equipment for such school buildings. The bonds were retired during the year by the Debt Service Fund from the collection of property taxes.

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

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

The overall debt margin of the School District as of June 30, 2009, was \$15,829,892, with an unvoted debt margin of \$175,175.

## **Note 16 - Jointly Governed Organizations**

### ***A. Ohio Mid-Eastern Regional Educational Service Agency***

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA includes school districts from 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payment for computer services to OME-RESA in fiscal year 2009 was \$56,692. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

### ***B. Mid-East Career and Technology Centers***

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational services to its thirteen member school districts. The Career 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 possesses its own budgeting and taxing authority. The continued existence of the vocational school is not dependent on the Career Center's continued participation and no equity interest exists. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

### ***C. Metropolitan Educational Council***

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school district, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the cost of administering the program. The School District's membership payment to MEC for fiscal year 2009 was \$757. Financial information may be obtained from the Metropolitan Educational Council, Fiscal Officer, at 6100 Channingway Blvd, Suite 604, Columbus, Ohio 43232.

### ***D. Coalition of Rural and Appalachian Schools***

The School District participates in the Coalition of Rural and Appalachian Schools, 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 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.

**Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

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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 Coalition. The School District's membership fee was \$300 for fiscal year 2009. To obtain financial information write to CORAS, McCracken Hall, Ohio University, Athens, Ohio 45701.

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

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the representatives are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2009, the School District paid \$1,038 to the Coalition. Financial information can be obtained by contacting the Coalition's fiscal agent, Muskingum Valley Educational Service Center, 205 North Seventh Street, Zanesville, Ohio 43701-3709.

**Note 17 - Insurance Purchasing Pool**

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

**Note 18 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

***B. Litigation***

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

**Rolling Hills Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 19 - Set Asides**

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

Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to workers' compensation refunds.

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

	Textbooks	Capital Improvements
Set-aside Reserve Balance		
as of June 30, 2008	\$579,436	\$149,913
Current Year Set-aside Requirement	295,503	295,503
Current Year Offsets	0	(29,159)
Qualifying Disbursements	(339,946)	(263,070)
Total	\$534,993	\$153,187
Set-aside Balance Carried Forward		
to Future Fiscal Years	\$534,993	\$153,187

**Note 20 - Financial Difficulties**

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

The School District implemented an expenditure reduction plan during fiscal years 2006 and 2007 which included a reduction in force, retirements, and resignations. The School District reduced expenditures by eliminating bus routes, eliminating summer school, reducing supplies, and implementing pay to play. The School District also did not give raises or step increases for fiscal year 2006 for teachers and administrators.

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

The five year forecast submitted to the Ohio Department of Education on October 20, 2009, reflected a positive General Fund balance for fiscal years 2010 and 2011.

**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2008/2009	10.555	\$ 69,719	\$ 69,719
Cash Assistance:				
School Breakfast Program	2008/2009	10.553	172,158	172,158
National School Lunch Program	2008/2009	10.555	399,069	399,069
Cash Assistance Subtotal			<u>571,227</u>	<u>571,227</u>
Total Child Nutrition Cluster			<u>640,946</u>	<u>640,946</u>
Total U.S. Department of Agriculture			640,946	640,946
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2008	84.010	57,364	102,847
	2009		495,051	459,646
Total Title I Grants to Local Educational Agencies			<u>552,415</u>	<u>562,493</u>
Special Education - Grants to States	2008	84.027	9,774	14,605
	2009		361,091	354,115
Total Special Education - Grants to States			<u>370,865</u>	<u>368,720</u>
Safe and Drug-Free Schools and Communities - State Grants	2007	84.186	(5,982)	
	2008		(606)	
	2009		1,552	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>(5,036)</u>	0
State Grants for Innovative Programs	2008	84.298	(804)	97
	2009		953	
Total State Grants for Innovative Programs			<u>149</u>	<u>97</u>
Education Technology State Grants	2007	84.318	(1,787)	
	2008		(749)	
	2009		1,377	1,330
Total Education Technology State Grants			<u>(1,159)</u>	<u>1,330</u>
Rural Education	2009	84.358	21,725	18,609
Improving Teacher Quality State Grants	2008	84.367	14,319	17,718
	2009		106,500	97,704
Total Improving Teacher Quality State Grants			<u>120,819</u>	<u>115,422</u>
Total U.S. Department of Education			<u>1,059,778</u>	<u>1,066,671</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Guernsey County Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families - Social Worker Grant	n/a	93.558	22,862	25,000
Temporary Assistance for Needy Families - Afterschool Grant	n/a		21,505	20,461
Total Temporary Assistance for Needy Families Grants			<u>44,367</u>	<u>45,461</u>
Total U.S. Department of Health and Human Services			<u>44,367</u>	<u>45,461</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 1,745,091</u></b>	<b><u>\$ 1,753,078</u></b>

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

**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
Title I Grants to Local Educational Agencies	84.010	\$ 5,790
Special Education - Grants to States	84.027	25,890
Safe and Drug-Free Schools and Communities	84.186	606
State Grants for Innovative Programs	84.298	804
Education Technology State Grants	84.318	749

**NOTE E – TRANSFERS BETWEEN PROGRAMS**

The School District reallocated funds from cash received by one program originally authorized for another program. This reallocation of funds resulted in the Schedule reporting negative receipts. The School District reallocated amounts from the following programs to the 2009 Improving Teacher Quality State Grants (CFDA #84.367):

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Reallocated from 2007 to 2009</u>
Safe and Drug-Free Schools and Communities	84.186	\$ 5,982
Education Technology State Grants	84.318	1,787



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 19, 2010, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on March 24, 2006 due to the School District's declining financial condition. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School District's management in a separate letter dated February 19, 2010.

#### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated February 19, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

February 19, 2010



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

In a separate letter to the School District's management dated February 19, 2010, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

February 19, 2010

**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other 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 non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other 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>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under Section .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program – CFDA # 10.553 National School Lunch Program – CFDA # 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**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 FINDING  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2009**

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>
2008-001	Ohio Rev. Code Section 5705.10(H) for negative cash fund balances throughout the year.	Yes	N/A.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on March 18, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Mary Taylor, CPA**  
Auditor of State

February 19, 2010



**Mary Taylor, CPA**  
Auditor of State

**ROLLING HILLS LOCAL SCHOOL DISTRICT**  
**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 9, 2010**