



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, each major fund, and the aggregate remaining fund information of Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2008, 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, each major fund, and the aggregate remaining fund information of Rolling Hills Local School District, Guernsey County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund and Food Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School District is experiencing certain financial difficulties. These conditions, and management's plan to address these conditions, are described in Note 20.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2009, 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 Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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

April 24, 2009

Rolling Hills Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Rolling Hills Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- Net assets of governmental activities increased \$337,446.
- General revenues accounted for \$14,884,768 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,973,415, or 21 percent of total revenues of \$18,858,183.
- The School District had \$18,520,737 in expenses related to governmental activities; only \$3,973,415 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$14,884,768 were adequate to provide for the remainder of these activities.
- The School District has two major funds: the General Fund and the Food Service Special Revenue Fund. The General Fund had \$15,115,149 in revenues and other financing sources and \$14,873,545 in expenditures and other financing uses. The General Fund's balance increased \$241,604. The Food Service Special Revenue Fund had \$978,508 in revenues and other financing sources and \$931,443 in expenditures. The Food Service Special Revenue Fund's balance increased \$47,065.

Using this Annual Financial Report

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

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

Rolling Hills Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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 2008?" 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 Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major and discretionary major governmental funds are the General Fund and the Food Service Special Revenue 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Assets			
Current and Other Assets	\$9,195,297	\$8,657,464	\$537,833
Capital Assets	12,357,803	12,733,988	(376,185)
Total Assets	<u>21,553,100</u>	<u>21,391,452</u>	<u>161,648</u>
Liabilities			
Long-Term Liabilities	2,024,280	2,125,810	101,530
Other Liabilities	5,571,814	5,646,082	74,268
Total Liabilities	<u>7,596,094</u>	<u>7,771,892</u>	<u>175,798</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	12,032,803	12,083,988	(51,185)
Restricted	1,853,086	2,117,100	(264,014)
Unrestricted (Deficit)	71,117	(581,528)	652,645
Total Net Assets	<u>\$13,957,006</u>	<u>\$13,619,560</u>	<u>\$337,446</u>

Total assets increased \$161,648. Property taxes receivable increased \$534,842, primarily due to an increase in delinquent taxes receivable. This increase was offset by a decrease in capital assets of \$376,185, from fiscal year 2007. Capital assets decreased mostly due to current year depreciation exceeding capital asset additions.

Total liabilities decreased \$175,798. The decrease in general obligation bonds in the amount of \$325,000 accounted for a large majority of this decrease. This decrease was offset by an increase in compensated absences payable.

Total net assets increased \$337,446 for the reasons stated above. Specifically, unrestricted net assets increased by \$652,645, which was offset by decreases in restricted net assets and invested in capital assets, net of related debt.

Rolling Hills Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for fiscal year 2008, and comparisons to fiscal year 2007.

Table 2
Change in Net Assets

Revenues	Governmental Activities		
	2008	2007	Change
Program Revenues			
Charges for Services	\$1,048,546	\$1,140,755	(\$92,209)
Operating Grants and Contributions	2,896,322	2,830,902	65,420
Capital Grants and Contributions	28,547	272,689	(244,142)
Total Program Revenues	<u>3,973,415</u>	<u>4,244,346</u>	<u>(270,931)</u>
General Revenue			
Property Taxes	5,414,604	5,173,898	240,706
Grants and Entitlements	9,194,727	8,965,722	229,005
Investment Earnings	134,398	126,729	7,669
Miscellaneous	141,039	189,765	(48,726)
Total General Revenues	<u>14,884,768</u>	<u>14,456,114</u>	<u>428,654</u>
Total Revenues	<u>18,858,183</u>	<u>18,700,460</u>	<u>157,723</u>
Program Expenses			
Instruction:			
Regular	8,516,398	8,148,422	(367,976)
Special	1,951,525	1,898,266	(53,259)
Vocational	351,231	325,791	(25,440)
Support Services:			
Pupils	668,812	632,449	(36,363)
Instructional Staff	1,126,208	970,442	(155,766)
Board of Education	28,620	57,557	28,937
Administration	1,384,883	1,292,465	(92,418)
Fiscal	552,652	502,676	(49,976)
Operation and Maintenance of Plant	1,683,657	1,668,150	(15,507)
Pupil Transportation	923,010	936,709	13,699
Central	29,362	37,484	8,122
Operation of Non-Instructional Services:			
Food Service Operations	991,995	900,275	(91,720)
Other Non-Instructional Services	9,905	11,755	1,850
Extracurricular Activities	260,924	253,035	(7,889)
Interest	41,555	70,805	29,250
Total Expenses	<u>18,520,737</u>	<u>17,706,281</u>	<u>(814,456)</u>
Change in Net Assets	337,446	994,179	(656,733)
Net Assets Beginning of Year	<u>13,619,560</u>	<u>12,625,381</u>	<u>994,179</u>
Net Assets End of Year	<u>\$13,957,006</u>	<u>\$13,619,560</u>	<u>\$337,446</u>

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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 29 percent of revenues for governmental activities for Rolling Hills Local School District in fiscal year 2008.

While the School District operates a very tight budget, revenue sources are projected to keep pace with expenses through 2009. For the first time in five years, the School District gave negotiated raises to its employees in fiscal year 2008. Realistically changes are going to have to be made to increase revenues or decrease expenses. Enrollment also is a factor in the finances of the School District. The School District lost \$571,116 in open enrollment and \$115,585 to community schools in fiscal year 2008.

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 School District had a decrease in capital grants and contributions program revenue. This is a result of the School District receiving FEMA dollars in fiscal year 2007 to repair flood damage to the School District's administrative building as well as building a flood wall around the administration building to prevent future flood damage. Property taxes revenue increased \$240,706 and the corresponding property taxes receivable increased as a result of an increase in delinquent property taxes.

Regular instruction increased \$367,976, and Instructional Staff Support Services increased \$155,766 due to an increase in insurance costs and negotiated raises. Food service expenses increased \$91,720 due to an increase in food prices to the 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, 2008
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction:				
Regular	\$8,516,398	\$7,660,004	\$8,148,422	\$7,307,746
Special	1,951,525	799,550	1,898,266	711,609
Vocational	351,231	263,422	325,791	224,766
Support Services:				
Pupils	668,812	530,444	632,449	472,951
Instructional Staff	1,126,208	604,565	970,442	558,476
Board of Education	28,620	28,620	57,557	57,557
Administration	1,384,883	1,355,305	1,292,465	1,271,789
Fiscal	552,652	552,652	502,676	500,973
Operation and Maintenance of Plant	1,683,657	1,603,525	1,668,150	1,328,830
Pupil Transportation	923,010	886,041	936,709	892,936
Central	29,362	24,594	37,484	33,829
Operation of Non-Instructional Services:				
Food Service Operation	991,995	113,487	900,275	45,610
Other Non-Instructional Services	9,905	(1,308)	11,755	6,705
Extracurricular Activities	260,924	84,866	253,035	(22,647)
Interest	41,555	41,555	70,805	70,805
Total Expenses	<u>\$18,520,737</u>	<u>\$14,547,322</u>	<u>\$17,706,281</u>	<u>\$13,461,935</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, with 79 percent of the School District's activities being supported primarily through taxes and intergovernmental revenues. 21 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 modified accrual basis of accounting. All governmental funds had total revenues of \$18,066,997 and expenditures of \$17,909,712. Total fund balances increased \$165,695. The net change in fund balance for the year was most significant in the General Fund, an increase of \$241,604. The General Fund had total revenues of \$15,106,739 and total expenditures of \$14,673,545. The Food Service Special Revenue Fund had total revenues of \$878,508 and total expenditures of \$931,443.

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, 2008
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During the course of fiscal 2008, 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 of \$13,347,891, \$573,520 above original appropriations of \$12,774,371, mainly due to an increase in open enrollment. For the General Fund, final budgeted revenues were \$15,077,680. The General Fund actual revenues were \$15,134,420, which was \$56,740 higher than the budgeted revenues. This was primarily due to receiving more property taxes revenue than budgeted. Ending appropriations for the General Fund were \$15,722,488. This was \$773,468 higher than actual expenditures of \$14,949,020. This was primarily due to wages and fringes being less than projected due to retirements and reductions in staff.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$12,357,803 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. During fiscal year 2008, the School District purchased buildings and improvements, furniture and equipment, vehicles and had construction in progress for a roof replacement project. See Note 9 for additional information regarding capital assets.

Debt

At June 30, 2008, the School District had \$325,000 in 1985 general obligation bonds outstanding, all due within one year. The bonds were issued for school facilities construction and improvements. The bonds will be fully repaid in fiscal year 2009. See Note 15 for more detailed information of the School District's debt.

Set-asides

For fiscal year 2008, 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 2008 this amounted to \$299,033 for each set aside. For fiscal year 2008, the School District did have qualifying disbursements or offsets exceeding the \$299,033 requirement for textbooks and instructional materials and capital improvements. However, the accumulated prior years' balances still required cash to be restricted and a reserve created for the requirement for textbooks and instructional materials and capital improvements. These set-asides will be carried forward to future years. See Note 19 for more detailed information of the School District's set-asides.

Economic Factors

The School District ended fiscal year 2008 with a positive cash flow. Based on the current financial situation, the School District will not make additional cuts since there was a positive cash flow for the 2008 fiscal year. To maintain the positive cash flow, a retirement incentive plan has been implemented for the teaching staff and twenty-three teachers have accepted it over the last three fiscal years. Additional staffing cuts and/or reduced hours may be implemented with the administrative, custodial, transportation, and educational assistant positions. 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 \$259,042 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

Rolling Hills Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

the School District must maintain careful financial planning and prudent fiscal management in order to ensure the future financial stability of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact 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, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,604,885
Accounts Receivable	331,983
Intergovernmental Receivable	327,379
Prepaid Items	32,007
Inventory Held for Resale	7,106
Materials and Supplies Inventory	92,362
Property Taxes Receivable	5,799,575
Nondepreciable Capital Assets	279,502
Depreciable Capital Assets, Net	<u>12,078,301</u>
Total Assets	<u>21,553,100</u>
Liabilities	
Accounts Payable	70,273
Accrued Wages and Benefits Payable	1,559,930
Intergovernmental Payable	439,596
Accrued Interest Payable	2,320
Claims Payable	293,500
Deferred Revenue	3,109,898
Matured Compensated Absences Payable	96,297
Long-Term Liabilities:	
Due Within One Year	574,180
Due In More Than One Year	<u>1,450,100</u>
Total Liabilities	<u>7,596,094</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	12,032,803
Restricted for:	
Capital Projects	8,265
Debt Service	321,066
Other Purposes	768,500
Textbooks and Instructional Materials	579,436
Capital Improvements	149,913
Bus Purchase	25,906
Unrestricted	<u>71,117</u>
Total Net Assets	<u><u>\$13,957,006</u></u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$8,516,398	\$541,306	\$315,088	\$0	(\$7,660,004)
Special	1,951,525	0	1,151,975	0	(799,550)
Vocational	351,231	0	87,809	0	(263,422)
Support Services:					
Pupils	668,812	0	138,368	0	(530,444)
Instructional Staff	1,126,208	0	506,643	15,000	(604,565)
Board of Education	28,620	0	0	0	(28,620)
Administration	1,384,883	6,312	23,266	0	(1,355,305)
Fiscal	552,652	0	0	0	(552,652)
Operation and Maintenance of Plant	1,683,657	57,657	22,475	0	(1,603,525)
Pupil Transportation	923,010	18,608	4,814	13,547	(886,041)
Central	29,362	0	4,768	0	(24,594)
Operation of Non-Instructional Services:					
Food Service Operations	991,995	263,418	615,090	0	(113,487)
Other Non-Instructional Services	9,905	0	11,213	0	1,308
Extracurricular Activities	260,924	161,245	14,813	0	(84,866)
Interest	41,555	0	0	0	(41,555)
Total Governmental Activities	\$18,520,737	\$1,048,546	\$2,896,322	\$28,547	(14,547,322)

General Revenues

Property Taxes Levied for:	
General Purposes	5,291,869
Other Purposes	74,084
Debt Service	48,651
Grants and Entitlements not Restricted to Specific Programs	9,194,727
Investment Earnings	134,398
Miscellaneous	141,039
Total General Revenues	14,884,768
Change in Net Assets	337,446
Net Assets Beginning of Year	13,619,560
Net Assets End of Year	<u>\$13,957,006</u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2008

	General	Food Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$646,963	\$57,269	\$1,121,756	\$1,825,988
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	750,293	0	0	750,293
Accounts Receivable	27,085	0	798	27,883
Interfund Receivable	154,068	0	0	154,068
Intergovernmental Receivable	27,119	0	300,260	327,379
Prepaid Items	32,007	0	0	32,007
Inventory Held for Resale	0	7,106	0	7,106
Materials and Supplies Inventory	88,575	3,787	0	92,362
Property Taxes Receivable	5,622,039	0	177,536	5,799,575
Total Assets	\$7,348,149	\$68,162	\$1,600,350	\$9,016,661
Liabilities				
Accounts Payable	\$63,348	\$517	\$6,408	\$70,273
Accrued Wages and Benefits Payable	1,320,644	61,776	177,510	1,559,930
Matured Compensated Absences Payable	96,297	0	0	96,297
Interfund Payable	0	0	67,732	67,732
Deferred Revenue	4,357,901	0	288,870	4,646,771
Intergovernmental Payable	361,678	22,780	55,138	439,596
Total Liabilities	6,199,868	85,073	595,658	6,880,599
Fund Balances				
Reserved for Encumbrances	296,880	10,701	31,751	339,332
Reserved for Textbooks and Instructional Materials	579,436	0	0	579,436
Reserved for Capital Improvements	149,913	0	0	149,913
Reserved for Property Taxes	1,339,723	0	29,755	1,369,478
Reserved for Bus Purchase	25,906	0	0	25,906
Unreserved:				
Undesignated, Reported in:				
General Fund (Deficit)	(1,243,577)	0	0	(1,243,577)
Special Revenue Funds (Deficit)	0	(27,612)	631,620	604,008
Debt Service Fund	0	0	303,301	303,301
Capital Projects Funds	0	0	8,265	8,265
Total Fund Balances (Deficit)	1,148,281	(16,911)	1,004,692	2,136,062
Total Liabilities and Fund Balances	\$7,348,149	\$68,162	\$1,600,350	

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.	12,357,803
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Property Taxes	1,340,654
Grants	167,127
Accounts Receivable	29,092
	1,536,873
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.	(47,132)
Long-term liabilities and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds Payable	(325,000)
Accrued Interest Payable	(2,320)
Compensated Absences Payable	(1,011,280)
Retirement Incentive Payable	(688,000)
Total Long-term Liabilities	(2,026,600)
Net Assets of Governmental Activities	\$13,957,006

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, 2008

	General	Food Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$4,579,298	\$0	\$135,167	\$4,714,465
Intergovernmental	9,856,836	615,090	1,568,574	12,040,500
Investment Earnings	116,357	0	0	116,357
Tuition and Fees	519,621	0	77,216	596,837
Extracurricular Activities	0	0	107,766	107,766
Rentals	5,567	0	52,125	57,692
Charges for Services	0	263,418	0	263,418
Contributions and Donations	4,534	0	25,546	30,080
Miscellaneous	24,526	0	115,356	139,882
Total Revenues	15,106,739	878,508	2,081,750	18,066,997
Expenditures				
Current:				
Instruction:				
Regular	7,794,707	0	275,915	8,070,622
Special	1,458,034	0	426,827	1,884,861
Vocational	322,312	0	0	322,312
Support Services:				
Pupils	358,710	0	242,939	601,649
Instructional Staff	517,589	0	539,544	1,057,133
Board of Education	28,620	0	0	28,620
Administration	1,291,274	0	27,897	1,319,171
Fiscal	512,167	0	6,471	518,638
Operation and Maintenance of Plant	1,513,764	0	173,656	1,687,420
Pupil Transportation	767,859	0	21,129	788,988
Central	20,434	0	4,414	24,848
Operation of Non-Instructional Services:				
Food Service Operations	13	931,443	0	931,456
Other Non-Instructional Services	211	0	9,694	9,905
Extracurricular Activities	30,433	0	205,805	236,238
Capital Outlay	57,418	0	1,558	58,976
Debt Service:				
Principal Retirement	0	0	325,000	325,000
Interest and Fiscal Charges	0	0	43,875	43,875
Total Expenditures	14,673,545	931,443	2,304,724	17,909,712
Excess of Revenues Over (Under) Expenditures:	433,194	(52,935)	(222,974)	157,285
Other Financing Sources (Use)				
Transfers In	0	100,000	100,000	200,000
Proceeds from Sale of Capital Assets	8,410	0	0	8,410
Transfers Out	(200,000)	0	0	(200,000)
Total Other Financing Sources (Use)	(191,590)	100,000	100,000	8,410
Net Change in Fund Balances	241,604	47,065	(122,974)	165,695
Fund Balances (Deficit) Beginning of Year	906,677	(63,976)	1,127,666	1,970,367
Fund Balances (Deficit) End of Year	\$1,148,281	(\$16,911)	\$1,004,692	\$2,136,062

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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$165,695

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	161,496	
Current Year Depreciation	<u>(522,950)</u>	(361,454)

Governmental funds only report the disposal of capital assets to the extent proceeds in the amount of \$8,410 were received. In the statement of activities, a loss has been reported in the amount of \$6,321. This reconciling amount represents the net carrying value of the assets at the time of disposal. (14,731)

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

Intergovernmental	49,016	
Property Taxes	700,139	
Tuition and Fees	22,833	
Miscellaneous	<u>1,157</u>	773,145

Compensated absences and retirement incentives do not require the use of current financial resources, therefore; are not reported as expenditures in governmental funds. (223,470)

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. (329,059)

Change in Net Assets of Governmental Activities \$337,446

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,371,475	\$4,475,475	\$4,543,277	\$67,802
Intergovernmental	9,852,609	9,862,609	9,877,291	14,682
Investment Earnings	125,000	125,000	116,357	(8,643)
Tuition and Fees	574,515	574,515	563,454	(11,061)
Rentals	8,066	8,066	5,567	(2,499)
Contributions and Donations	0	0	4,534	4,534
Miscellaneous	32,015	32,015	23,940	(8,075)
Total Revenues	14,963,680	15,077,680	15,134,420	56,740
Expenditures				
Current:				
Instruction:				
Regular	12,774,371	13,347,891	7,870,621	5,477,270
Special	750,134	783,812	1,396,968	(613,156)
Vocational	28,699	29,987	317,971	(287,984)
Support Services:				
Pupils	6,032	6,303	357,552	(351,249)
Instructional Staff	41,462	43,324	494,855	(451,531)
Board of Education	22,107	23,100	35,098	(11,998)
Administration	54,576	57,026	1,308,184	(1,251,158)
Fiscal	215,243	224,907	519,216	(294,309)
Operation and Maintenance of Plant	904,089	944,679	1,739,093	(794,414)
Pupil Transportation	194,928	203,679	793,266	(589,587)
Central	0	0	20,423	(20,423)
Operation of Non-Instructional Services:				
Other Non-Instructional Services	191	200	211	(11)
Extracurricular Activities	0	0	38,144	(38,144)
Capital Outlay	55,106	57,580	57,418	162
Total Expenditures	15,046,938	15,722,488	14,949,020	773,468
Excess of Revenues Over (Under) Expenditures	(83,258)	(644,808)	185,400	830,208
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	0	0	8,510	8,510
Insurance Recoveries	0	0	54	54
Transfers Out	0	(38,000)	(200,000)	(162,000)
Advances Out	0	0	(144,789)	(144,789)
Total Other Financing Sources (Uses)	0	(38,000) 0	(336,225)	(298,225)
Net Change in Fund Balance	(83,258)	(682,808)	(150,825)	531,983
Fund Balance Beginning of Year	1,010,223	1,010,223	1,010,223	0
Prior Year Encumbrances Appropriated	199,550	199,550	199,550	0
Fund Balance End of Year	\$1,126,515	\$526,965	\$1,058,948	\$531,983

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
Food Service Special Revenue Fund
For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$512,000	\$542,000	\$579,294	\$37,294
Charges for Services	253,000	283,000	263,418	(19,582)
Total Revenues	<u>765,000</u>	<u>825,000</u>	<u>842,712</u>	<u>17,712</u>
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Food Service Operations	702,398	867,493	839,154	28,339
Excess of Revenues Over (Under) Expenditures	62,602	(42,493)	3,558	46,051
Other Financing Source				
Transfers In	0	100,000	100,000	0
Net Change in Fund Balance	62,602	57,507	103,558	46,051
Fund Balance (Deficit) Beginning of Year	(62,600)	(62,600)	(62,600)	0
Prior Year Encumbrances Appropriated	5,093	5,093	5,093	0
Fund Balance End of Year	<u>\$5,095</u>	<u>\$0</u>	<u>\$46,051</u>	<u>\$46,051</u>

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2008

	Medical-Dental-Prescription Self-Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$28,604
Accounts Receivable	304,100
Total Current Assets	<u>332,704</u>
Current Liabilities	
Interfund Payable	86,336
Claims Payable	293,500
Total Current Liabilities	<u>379,836</u>
Net Assets	
Unrestricted (Deficit)	<u><u>(\$47,132)</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, 2008

	Medical-Dental-Prescription Self-Insurance
Operating Revenues	
Charges for Services	\$2,484,963
Operating Expenses	
Purchased Services	403,504
Claims	2,428,559
Total Operating Expenses	2,832,063
Operating Loss	(347,100)
Non-Operating Revenue	
Interest Income	18,041
Change in Net Assets	(329,059)
Net Assets at Beginning of Year	281,927
Net Assets (Deficit) at End of Year	(\$47,132)

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, 2008

	<u>Medical-Dental-Prescription Self-Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$2,484,963
Cash Payments to Suppliers for Services	(403,504)
Cash Payments for Claims	<u>(2,683,259)</u>
Net Cash Used for Operating Activities	(601,800)
Cash Flows from Noncapital Financing Activities	
Advances In	<u>86,336</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>18,041</u>
Net Decrease in Cash and Cash Equivalents	(497,423)
Cash and Cash Equivalents Beginning of Year	<u>526,027</u>
Cash and Cash Equivalents End of Year	<u><u>\$28,604</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$347,100)
Changes in Liabilities	
Increase in Stop Loss Reimbursement Receivable	(304,100)
Increase in Claims Payable	<u>49,400</u>
Net Cash Used for Operating Activities	<u><u>(\$601,800)</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, 2008

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,685	\$27,313
Cash and Cash Equivalents in Segregated Accounts	0	8,600
Investments	8,163	0
Total Assets	9,848	\$35,913
Liabilities		
Undistributed Monies	0	\$16,728
Due to Students	0	19,185
Total Liabilities	0	\$35,913
Net Assets		
Held in Trust for Scholarships	\$9,848	

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, 2008

	Private Purpose Trust
Additions	
Interest	\$290
Deductions	
Payments in Accordance with Trust Agreements	290
Change in Net Assets	0
Net Assets Beginning of Year	9,848
Net Assets End of Year	\$9,848

See accompanying notes to the basic financial statements

Rolling Hills Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board of Education. The School District provides educational services as authorized by its charter and further mandated by state and federal agencies. This Board controls the School District's six instructional support facilities staffed by 92 classified employees and 145 certificated teaching and administrative personnel who provide services to 1,940 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 ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Rolling Hills Local School District, this includes general operations, food service, and student related activities of the School District.

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

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

The School District participates in five jointly governed organizations and two group insurance purchasing pools. 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, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School 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, 2008

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, 2008

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 and the Food Service Special Revenue Fund are the major and discretionary major funds 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.

Food Service Special Revenue Fund The Food Service Special Revenue Fund is used to account for the School District's food service operations.

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, 2008

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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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, except a portion of the private purpose trust fund, 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 2008, investments were limited to nonnegotiable certificates of deposit which are 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, 2008.

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 2008 amounted to \$116,357, which includes \$55,204 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, 2008, 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, 2008

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. During fiscal year 2008, the reserve for bus purchase includes restricted cash and an intergovernmental receivable. 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, 2008

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, and bus purchase.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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.

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. None of the School District's restricted net assets were 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.

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 not intended to be repaid.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and the STRS post-employment healthcare plans in the amount of \$89,703 and \$67,342, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 - Accountability

Fund balances at June 30, 2008, included the following individual fund deficits:

<u>Special Revenue Funds:</u>	<u>Amount</u>
Food Service	\$16,911
District Managed Student Activities	2,853
Miscellaneous Federal Grants	9,908

The deficits in these governmental funds are due to the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Rolling Hills Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Budgetary Basis of Accounting

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

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

Net Change in Fund Balance		
	General Fund	Food Service Fund
	<u> </u>	<u> </u>
GAAP Basis	\$241,604	\$47,065
Net Adjustment for Revenue Accruals	27,835	(35,796)
Prepaid Items:		
Beginning of Fiscal Year	33,078	0
End of Fiscal Year	(32,007)	0
Net Adjustment for Expenditure Accruals	61,762	103,507
Advances Out	(144,789)	0
Encumbrances	(338,308)	(11,218)
Budget Basis	<u><u>(\$150,825)</u></u>	<u><u>\$103,558</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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of Ohio Revised Code Section 135.18;
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, \$963,508 of the School District's bank balance of \$1,154,940 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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Investments As of June 30, 2008, the School District had monies invested in STAROhio. The fair value of the investment in STAROhio was \$2,337,829 and the fund had an average maturity of 53.8 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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected in 2008 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 revenues received in calendar 2008 (other than public utility property tax) represents the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

If paid annually, payment is due April 30; if paid semiannually, 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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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, 2008, are available to finance fiscal year 2008 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 taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are 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, 2008, \$1,339,723 was available as an advance in the General Fund, \$19,630 was available in the Classroom Facilities Special Revenue Fund, and \$10,125 was available to the Debt Service Fund. The amount available as an advance at June 30, 2007, was \$1,303,702 in the General Fund, \$21,105 in the Classroom Facilities Special Revenue Fund, and \$54,139 in the Debt Service Fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$163,211,730	75.89%	\$158,506,080	81.31%
Public Utility Personal	10,700,020	4.98%	9,196,990	4.72%
General Business Personal	41,137,923	19.13%	27,242,406	13.97%
Total	<u>\$215,049,673</u>	<u>100.00%</u>	<u>\$194,945,476</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.30		\$27.25	

Note 8 - Receivables

Receivables at June 30, 2008, 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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
CAFS	\$21,675
After School Demonstration Grant	1,505
Literacy Improvement Grant	26,465
IDEA Part B Grant	35,665
Title I Grant	135,895
Title I Neglected Grant	42,810
Title V Grant	4,262
Safe and Drug Free Schools Grant	14,706
Title II-D Grant	4,634
Title II-A Grant	14,318
Rent	20,000
Miscellaneous Revenue	482
School Bus Purchase	4,962
Total	<u><u>\$327,379</u></u>

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Nondepreciable Capital Assets				
Land	\$214,502	\$0	\$0	\$214,502
Construction in Progress	0	65,000	0	65,000
Total Nondepreciable Capital Assets	<u>214,502</u>	<u>65,000</u>	<u>0</u>	<u>279,502</u>
Depreciable Capital Assets				
Land Improvements	689,238	0	0	689,238
Buildings and Improvements	17,834,614	72,374	0	17,906,988
Furniture and Equipment	1,580,202	16,047	(5,760)	1,590,489
Vehicles	1,378,521	8,075	(141,550)	1,245,046
Total at Historical Cost	<u>21,482,575</u>	<u>96,496</u>	<u>(147,310)</u>	<u>21,431,761</u>
Less Accumulated Depreciation				
Land Improvements	(188,326)	(30,104)	0	(218,430)
Buildings and Improvements	(6,646,869)	(370,998)	0	(7,017,867)
Furniture and Equipment	(1,235,648)	(38,149)	5,184	(1,268,613)
Vehicles	(892,246)	(83,699)	127,395	(848,550)
Total Accumulated Depreciation	<u>(8,963,089)</u>	<u>(522,950) *</u>	<u>132,579</u>	<u>(9,353,460)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>12,519,486</u>	<u>(426,454)</u>	<u>(14,731)</u>	<u>12,078,301</u>
Governmental Activities Capital Assets, Net	<u><u>\$12,733,988</u></u>	<u><u>(\$361,454)</u></u>	<u><u>(\$14,731)</u></u>	<u><u>\$12,357,803</u></u>

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$160,112
Special	31,701
Vocational	8,764
Support Services:	
Pupils	20,413
Instructional Staff	45,563
Administration	24,917
Fiscal	5,842
Operation and Maintenance of Plant	53,927
Pupil Transportation	114,366
Central	2,921
Extracurricular	24,671
Operation of Non-Instructional Services:	
Food Service Operations	29,753
Total Depreciation Expense	<u>\$522,950</u>

Note 10 - Interfund Transfers and Balances

Transfers made during fiscal year 2008 consist of the following transfers in and out:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$0	\$200,000
Food Service Fund	100,000	0
Miscellaneous Local Funds	100,000	0
Total	<u>\$200,000</u>	<u>\$200,000</u>

A transfer to the Miscellaneous Local Funds Special Revenue Fund of \$100,000 and a transfer to the Food Service Special Revenue Fund of \$100,000 were made to help subsidize the operations of these activities and to move unrestricted monies to support these programs accounted for in separate funds.

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>
	<u>General</u>
	<u>Fund</u>
<u>Interfund Payable</u>	
Other Non-Major Governmental Funds	\$67,732
Self Insurance Fund	86,336
Total	<u>\$154,068</u>

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The interfund receivable reported in the General Fund of \$154,068 were for advances to the District Managed Student Activities and Miscellaneous Local Funds Special Revenue Funds and the Self-Insurance Internal Service Fund. The receivable from the District Managed Student Activities Special Revenue Fund is for a cash advance in the amount of \$48,342. This cash advance was made to cover expenditures as needed. The receivable from the Miscellaneous Local Funds Special Revenue Fund consists of a cash advance in the amount of \$7,361 made during fiscal year 2006 that remains unpaid and a cash advance in the amount of \$10,111 to cover expenditures as needed during fiscal year 2008. The advance to the Self-Insurance Internal Service Fund was in the amount of \$86,336. This cash advance was made to cover expenditures as needed. Also included in the interfund receivable are amounts paid by the General Fund that should have been paid by the Miscellaneous Local Funds and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$1,571 and \$347, respectively.

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 2008, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17) Coverage provided is as follows:

<u>Ohio School Plan</u>		
Commercial Property Coverage Blanket	\$51,107,093	\$1,000 deductible
Boiler and Machinery Coverage	\$250,000	\$1,000 deductible
Commercial Crime Coverage	\$10,000 - \$25,000	\$1,000 deductible
Computer Equipment Coverage	\$5,000 - \$103,000	\$1,000 deductible
Special Property Coverage	\$51,500 - \$265,295	\$1,000 deductible
Fleet Insurance:		
Liability	\$2,000,000	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:		
Bodily Injury and Property Damage	\$1,000,000	each occurrence
Personal and Advertising Injury	\$1,000,000	each offense
Fire Damage	\$500,000	any one event
Medical Expense	\$10,000	each accident
General Aggregate	\$3,000,000	
Products Aggregate	\$1,000,000	
Employee Benefits Liability	\$1,000,000	
Aggregate	\$3,000,000	
Employers' Liability	\$1,000,000	
Errors and Omissions	\$1,000,000	\$2,500 deductible
Aggregate	\$3,000,000	\$2,500 deductible
Employment Practices	\$1,000,000	\$2,500 deductible
Aggregate	\$3,000,000	\$2,500 deductible
Excess Liability Coverage	\$2,000,000	

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 2008.

B. Workers' Compensation

For fiscal year 2008, 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 School District's stop loss amount per person is \$35,000 for fiscal year 2008. The claims liability of \$ 293,500 reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in fiscal years 2007 and 2008 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$224,155	\$2,247,930	\$2,227,985	\$244,100
2008	244,100	2,732,659 (1)	2,683,259	293,500
(1) Claims Expense		\$2,428,559		
Stop Loss Reimbursement Receivable		<u>304,100</u>		
Current Year Claims		<u>\$2,732,659</u>		

Note 12 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to 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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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.

C. Retirement Incentive

The School District provides an incentive payment to all certified staff members who elect to retire under the State Teachers Retirement System of Ohio (STRS Ohio). However, the incentive is available provided that the employee has at least five consecutive years of service with the School District and has given notice by May 15, 2008, of intent to accept the retirement incentive by June 30, 2008. The retirement incentive is \$40,000 paid in installments of \$8,000 per year for five years. Employees will receive one-fifth of their retirement incentive and half of their regular severance pay immediately after the employee received the last pay of their contract for the current school year and upon receipt of necessary documentation from STRS Ohio. The employee will then receive the second half of their regular severance pay and one-fifth of their retirement incentive by July 15 of the next calendar year. All subsequent installments will be paid by July 15 for the next three years. This is the third fiscal year in a row that the School District has offered this retirement incentive.

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.

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 2008, 9.16 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, 2008, 2007, and 2006 were \$198,714, \$219,934, and \$216,980, respectively; 45.89 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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.

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, 2008, 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 2007, 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$863,907, \$875,445, and \$1,195,197, respectively; 82.26 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$806 made by the School District and \$7,488 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, 2008, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Rolling Hills Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 2008, 4.18 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 2008, 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, 2008, 2007, and 2006 were \$137,785, \$89,703, and \$90,837, respectively; 40.32 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$14,772, \$14,003, and \$13,946 respectively; 47.55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 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 2008, 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, 2008, 2007, and 2006 were \$66,454, \$67,342, and \$91,938 respectively; 82.26 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Rolling Hills Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 15 - Long-Term Obligations

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

	Outstanding 6/30/2007	Additions	Reductions	Outstanding 6/30/2008	Amounts Due Within One Year
Governmental Activities					
1985 School Facilities Improvement -					
9% General Obligation Bonds	\$650,000	\$0	\$325,000	\$325,000	\$325,000
Retirement Incentive	584,000	240,000	136,000	688,000	184,000
Compensated Absences Payable	891,810	236,811	117,341	1,011,280	65,180
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,125,810</u>	<u>\$476,811</u>	<u>\$578,341</u>	<u>\$2,024,280</u>	<u>\$574,180</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 are being retired by the Debt Service Fund from the collection of property taxes.

Compensated absences will be paid from the General Fund.

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

Principal and interest requirements to retire the long-term general obligation bonds outstanding at June 30, 2008, are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$325,000	\$14,625	\$339,625

The overall debt margin of the School District as of June 30, 2008, was \$15,454,101, with an unvoted debt margin of \$171,953.

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 2008 was \$52,055. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

B. Mid-East Career and Technology Centers

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

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school district, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the cost of administering the program. The School District's membership payment to MEC for fiscal year 2008 was \$758. 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. 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 2008. 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.

Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 2008, the School District paid \$972 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 Pools

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

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.

B. Ohio School Plan

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

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, 2008.

B. Litigation

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

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.

Rolling Hills Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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, 2007	\$676,502	\$228,671
Current Year Set-aside Requirement	299,033	299,033
Current Year Offsets	0	(72,805)
Qualifying Disbursements	(396,099)	(304,986)
Total	\$579,436	\$149,913
Set-aside Balance Carried Forward		
to Future Fiscal Years	\$579,436	\$149,913

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 21, 2008, reflected a positive General Fund balance for fiscal years 2009 and 2011 through 2013.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	2008	\$ 0	\$ 51,583	\$ 0	\$ 51,583
Child Nutrition Cluster:						
School Breakfast Program	10.553	2007/2008	155,365		155,365	
Total School Breakfast Program			155,365		155,365	
National School Lunch Program	10.555	2007/2008	404,833		404,833	
Total National School Lunch Program			404,833	0	404,833	0
Total Child Nutrition Cluster			560,198	0	560,198	0
Total United States Department of Agriculture			560,198	51,583	560,198	51,583
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	2007 2008	162,129 480,082		148,100 442,856	
Total Title I Grants to Local Educational Agencies			642,211	0	590,956	0
Special Education - Grants to States	84.027	2007 2008	39,296 486,099		51,812 481,269	
Total Special Education - Grants to States			525,395	0	533,081	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007 2008	5,262 2,866		2,260 2,260	
Total Safe and Drug-Free Schools and Communities - State Grants			8,128	0	2,260	0
State Grants for Innovative Program	84.298	2007 2008	7,323 902		1,473 97	
Total State Grants for Innovative Program			8,225	0	1,570	0
Education Technology State Grants	84.318	2007 2008	5,737 4,081		4,137 3,332	
Total Education Technology State Grants			9,818	0	7,469	0
Improving Teacher Quality State Grants	84.367	2007 2008	(266) 132,493		129,093 128,827	
Total Improving Teacher Quality State Grants			132,493	0	128,827	0
Total United States Department of Education			1,326,270	0	1,264,163	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Guernsey County Department of Job and Family Services:</i>						
Medical Assistance Program:						
After School Demonstration	93.558	2008	25,171		15,499	
Total United States Department of Health and Human Services			25,171	0	15,499	0
Total Federal Awards Receipts and Expenditures			<u>\$1,911,639</u>	<u>\$ 51,583</u>	<u>\$ 1,839,860</u>	<u>\$ 51,583</u>

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

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



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, each major fund, and the aggregate remaining fund information of Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 24, 2009, wherein we noted the School District is experiencing certain financial difficulties. 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 opinion 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 April 24, 2009.

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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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 24, 2009.

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



Mary Taylor, CPA
Auditor of State

April 24, 2009



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 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, 2008. 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 Rolling Hills Local School District complied, in all material respects, with the requirements referred to above applying to its major federal program for the year ended June 30, 2008. In a separate letter to the School District's management dated April 24, 2009, we reported an other 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.

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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. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 24, 2009

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA No. 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) requires, in part, that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Ohio Rev. Code Section 3315.20 provides an allowable exception for school districts. Effective March 30, 2007, a school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit [Ohio Rev. Code Section 3315.20(A)];
- There is a reasonable likelihood that the payment will be made [Ohio Rev. Code Section 3315.20(A)]; and
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds. [Ohio Rev. Code Section 3315.20(B)].

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)

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

FINDING NUMBER 2008-001 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.10(H) (Continued)

At August 31, 2007, the following funds had negative cash fund balances in the following amounts:

<u>Fund</u>	<u>Negative Balance</u>
Food Service - 006	(\$75,408)
Other Grants - 019	(11,334)
Title I - 572	(6,116)

At January 31, 2008, the following funds had negative cash fund balances in the following amounts:

<u>Fund</u>	<u>Negative Balance</u>
Food Service - 006	(\$109,800)
Emergency Levy - 016	(383,623)
Other Grants - 019	(58,444)
Title VI-B - 516	(36,133)
Title I - 572	(34,157)
Title II-A - 590	(14,967)

For each of the aforementioned instances, the School District had not requested a payment from the State of Ohio.

We recommend the District meet each of the conditions in Ohio Rev. Code Section 3315.20 prior to deficit spending.

Officials' Response

School District officials did not respond to this finding.

3. FINDINGS FOR FEDERAL AWARDS

None.



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
MAY 12, 2009