



**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Rolling Hills Local School District, Guernsey County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2001 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 grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 18, 2001

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ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2000

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,641,902	\$402,732	\$622,391	\$658,602
Investments	0	0	0	0
Receivables:				
Property and Other Taxes	3,159,119	1,412,033	695,017	0
Accounts	8,352	0	0	0
Intergovernmental	14,989	37,255	0	85,000
Accrued Interest	26,776	0	0	0
Prepaid Items	67,357	29,987	0	0
Restricted Assets:				
Equity in Pooled Cash and Equivalents	713,025	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	110,805	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligations Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$5,742,325</u>	<u>\$1,882,007</u>	<u>\$1,317,408</u>	<u>\$743,602</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$161,047	\$175,395	\$40,611	\$0	\$0	\$3,702,680
0	0	5,609	0	0	5,609
0	0	0	0	0	5,266,169
55	0	0	0	0	8,407
0	0	0	0	0	137,244
0	0	0	0	0	26,776
5,121	0	0	0	0	102,465
0	0	0	0	0	713,025
7,944	0	0	0	0	7,944
2,803	0	0	0	0	113,608
156,795	0	0	22,003,125	0	22,159,920
0	0	0	0	774,197	774,197
0	0	0	0	3,209,753	3,209,753
\$333,765	\$175,395	\$46,220	\$22,003,125	\$3,983,950	\$36,227,797

(continued)

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2000
(Continued)

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$72,175	\$9,861	\$0	\$0
Accrued Wages and Benefits	1,080,923	422,984	0	0
Compensated Absences Payable	38,727	0	0	0
Long Term Comp Absences Payable	0	0	0	0
Intergovernmental Payable	170,980	51,678	0	0
Deferred Revenue	2,469,064	1,103,592	543,211	0
Due to Students	0	0	0	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	500,000
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,831,869	1,588,115	543,211	500,000
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	210,295	26,844	0	7,306
Reserved for Inventory	110,805	0	0	0
Reserved for Property Taxes	690,055	308,441	151,806	0
Reserved for Bus Purchases	7,149	0	0	0
Reserved for Budget Stabilization	151,354	0	0	0
Reserved for Endowments	0	0	0	0
Unreserved: Designated	59,976	0	0	0
Unreserved: Undesignated	680,822	(41,393)	622,391	236,296
Total Fund Equity and Other Credits	1,910,456	293,892	774,197	243,602
Total Liabilities, Fund Equity and Other Credits	\$5,742,325	\$1,882,007	\$1,317,408	\$743,602

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$4,710	\$0	\$800	\$0	\$0	\$87,546
54,665	0	0	0	0	1,558,572
2,326	0	0	0	0	41,053
4,707	0	0	0	621,404	626,111
26,833	0	0	0	97,546	347,037
4,158	0	0	0	0	4,120,025
0	0	28,454	0	0	28,454
0	0	3,833	0	0	3,833
0	211,114	0	0	0	211,114
0	0	0	0	340,000	840,000
0	0	0	0	2,925,000	2,925,000
<u>97,399</u>	<u>211,114</u>	<u>33,087</u>	<u>0</u>	<u>3,983,950</u>	<u>10,788,745</u>
0	0	0	22,003,125	0	22,003,125
515,337	0	0	0	0	515,337
(278,971)	(35,719)	4,961	0	0	(309,729)
0	0	0	0	0	244,445
0	0	0	0	0	110,805
0	0	0	0	0	1,150,302
0	0	0	0	0	7,149
0	0	0	0	0	151,354
0	0	5,000	0	0	5,000
0	0	0	0	0	59,976
0	0	3,172	0	0	1,501,288
<u>236,366</u>	<u>(35,719)</u>	<u>13,133</u>	<u>22,003,125</u>	<u>0</u>	<u>25,439,052</u>
<u>\$333,765</u>	<u>\$175,395</u>	<u>\$46,220</u>	<u>\$22,003,125</u>	<u>\$3,983,950</u>	<u>\$36,227,797</u>

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and Other Taxes	\$2,906,700	\$1,280,183	\$631,561	\$0
Intergovernmental	6,393,468	1,161,544	57,722	173,216
Interest	291,364	0	0	0
Tuition and Fees	83,760	0	0	0
Rent	5,350	75,037	0	0
Extracurricular Activities	0	177,602	0	0
Gifts and Donations	5,000	3,312	0	0
Miscellaneous	305,387	17,191	0	0
Total Revenues	9,991,029	2,714,869	689,283	173,216
Expenditures:				
Current:				
Instruction:				
Regular	4,139,195	1,732,238	0	0
Special	615,231	407,620	0	0
Vocational	304,901	0	0	0
Adult/Continuing	5,817	0	0	0
Other	76,260	0	0	0
Support Services:				
Pupils	542,341	158,386	0	0
Instructional Staff	398,005	286,701	0	0
Board of Education	77,863	0	0	0
Administration	966,451	14,277	0	0
Fiscal	339,959	37,873	18,640	0
Operation and Maintenance of Plant	1,144,111	136,840	0	0
Pupil Transportation	787,289	0	0	0
Central	56,710	12,003	0	0
Non-Instructional Services	0	72,885	0	0
Extracurricular Activities	18,611	189,423	0	0
Capital Outlay	229,687	360,660	0	142,059
Debt Service:				
Principal Retirement	0	0	480,000	100,000
Interest and Fiscal Charges	0	0	308,565	30,800
Total Expenditures	9,702,431	3,408,906	807,205	272,859
Excess of Revenues Over (Under) Expenditures	288,598	(694,037)	(117,922)	(99,643)
Other Financing Sources (Uses):				
Operating Transfers - In	0	132,000	118,890	380,800
Operating Transfers - Out	(631,690)	0	0	0
Total Other Financing Sources	(631,690)	132,000	118,890	380,800
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(343,092)	(562,037)	968	281,157
Fund Balances (Deficit) at Beginning of Year (Restated - Note 3)	2,227,772	855,929	773,229	(37,555)
Increase in Reserve for Inventory	25,776	0	0	0
Fund Balances at End of Year	\$1,910,456	\$293,892	\$774,197	\$243,602

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$4,818,444
0	7,785,950
0	291,364
0	83,760
0	80,387
0	177,602
5,940	14,252
<u>0</u>	<u>322,578</u>
<u>5,940</u>	<u>13,574,337</u>
3,700	5,875,133
0	1,022,851
0	304,901
0	5,817
0	76,260
0	700,727
0	684,706
0	77,863
0	980,728
0	396,472
0	1,280,951
0	787,289
0	68,713
0	72,885
0	208,034
0	732,406
0	580,000
<u>0</u>	<u>339,365</u>
<u>3,700</u>	<u>14,195,101</u>
2,240	(620,764)
0	631,690
<u>0</u>	<u>(631,690)</u>
<u>0</u>	<u>0</u>
2,240	(620,764)
932	3,820,307
<u>0</u>	<u>25,776</u>
<u>\$3,172</u>	<u>\$3,225,319</u>

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$2,950,153	\$2,950,144	(\$9)	\$1,317,499	\$1,317,494	(\$5)
Intergovernmental	6,390,192	6,390,180	(12)	1,416,965	1,416,965	0
Interest	268,058	267,752	(306)	0	0	0
Tuition and Fees	80,502	80,459	(43)	0	0	0
Rent	8,100	5,350	(2,750)	72,289	75,037	2,748
Extracurricular Activities	0	0	0	177,604	177,602	(2)
Gifts and Donations	5,000	5,000	0	18,042	18,011	(31)
Miscellaneous	305,089	305,087	(2)	2,493	2,492	(1)
Total Revenues	10,007,094	10,003,972	(3,122)	3,004,892	3,007,601	2,709
Expenditures:						
Current:						
Instruction:						
Regular	4,206,790	4,140,889	65,901	1,721,116	1,684,336	36,780
Special	647,671	629,687	17,984	448,552	402,801	45,751
Vocational	309,607	305,863	3,744	548	0	548
Adult/Continuing	5,817	5,817	0	0	0	0
Other	76,983	76,260	723	0	0	0
Support Services:						
Pupils	537,353	528,315	9,038	202,172	161,988	40,184
Instructional Staff	400,188	389,192	10,996	407,809	286,409	121,400
Board of Education	153,082	89,637	63,445	0	0	0
Administration	971,021	958,394	12,627	20,331	14,407	5,924
Fiscal	348,672	345,860	2,812	38,014	37,873	141
Operation and Maintenance of Plant	1,194,183	1,174,902	19,281	175,602	142,992	32,610
Pupil Transportation	859,536	844,884	14,652	0	0	0
Central	42,766	40,605	2,161	13,572	12,003	1,569
Non-Instructional Services	0	0	0	109,046	87,524	21,522
Extracurricular Activities	21,250	16,624	4,626	195,409	185,608	9,801
Capital Outlay	250,887	246,906	3,981	424,310	384,960	39,350
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,025,806	9,793,835	231,971	3,756,481	3,400,901	355,580
Excess of Revenues Over (Under) Expenditures	(18,712)	210,137	228,849	(751,589)	(393,300)	358,289
Other Financing Sources (Uses):						
Transfers In	0	0	0	132,000	132,000	0
Transfers Out	(633,690)	(631,690)	2,000	0	0	0
Total Other Financing Sources/(Uses)	(633,690)	(631,690)	2,000	132,000	132,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(652,402)	(421,553)	230,849	(619,589)	(261,300)	358,289
Fund Balances at Beginning of Year (Restated - Note 3)	2,207,946	2,207,946	0	480,020	480,020	0
Prior Year Encumbrances Appropriated	301,274	301,274	0	147,568	147,568	0
Fund Balances at End of Year	\$1,856,818	\$2,087,667	\$230,849	\$7,999	\$366,288	\$358,289

See accompanying notes to the general purpose financial statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$649,926	\$649,923	(\$3)	\$0	\$0	\$0	\$0	\$0	\$0
57,723	57,722	1	91,953	88,216	(3,737)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	5,940	5,940	0
0	0	0	0	0	0	0	0	0
<u>707,649</u>	<u>707,645</u>	<u>(2)</u>	<u>91,953</u>	<u>88,216</u>	<u>(3,737)</u>	<u>5,940</u>	<u>5,940</u>	<u>0</u>
0	0	0	0	0	0	5,900	5,200	700
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
20,015	18,640	1,375	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	386,512	280,205	106,307	0	0	0
580,000	580,000	0	0	0	0	0	0	0
339,365	339,365	0	0	0	0	0	0	0
<u>939,380</u>	<u>938,005</u>	<u>1,375</u>	<u>386,512</u>	<u>280,205</u>	<u>106,307</u>	<u>5,900</u>	<u>5,200</u>	<u>700</u>
(231,731)	(230,360)	1,371	(294,559)	(191,989)	102,570	40	740	700
249,690	249,690	0	250,000	250,000	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>249,690</u>	<u>249,690</u>	<u>0</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
17,959	19,330	1,371	(44,559)	58,011	102,570	40	740	700
603,061	603,061	0	414,898	414,898	0	2,932	2,932	0
0	0	0	178,387	178,387	0	0	0	0
<u>\$621,020</u>	<u>\$622,391</u>	<u>\$1,371</u>	<u>\$548,726</u>	<u>\$651,296</u>	<u>\$102,570</u>	<u>\$2,972</u>	<u>\$3,672</u>	<u>\$700</u>

(continued)

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)

	(Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Taxes	\$4,917,578	\$4,917,561	(\$17)
Intergovernmental	7,956,833	7,953,083	(3,750)
Interest	268,058	267,752	(306)
Tuition and Fees	80,502	80,459	(43)
Rent	80,389	80,387	(2)
Extracurricular Activities	177,604	177,602	(2)
Gifts and Donations	28,982	28,951	(31)
Miscellaneous	307,582	307,579	(3)
Total Revenues	13,817,528	13,813,374	(4,154)
Expenditures:			
Current:			
Instruction:			
Regular	5,933,806	5,830,425	103,381
Special	1,096,223	1,032,488	63,735
Vocational	310,155	305,863	4,292
Adult/Continuing	5,817	5,817	0
Other	76,983	76,260	723
Support Services:			
Pupils	739,525	690,303	49,222
Instructional Staff	807,997	675,601	132,396
Board of Education	153,082	89,637	63,445
Administration	991,352	972,801	18,551
Fiscal	406,701	402,373	4,328
Operation and Maintenance of Plant	1,369,785	1,317,894	51,891
Pupil Transportation	859,536	844,884	14,652
Central	56,338	52,608	3,730
Non-Instructional Services	109,046	87,524	21,522
Extracurricular Activities	216,659	202,232	14,427
Capital Outlay	1,061,709	912,071	149,638
Debt Service:			
Principal Retirement	580,000	580,000	0
Interest and Fiscal Charges	339,365	339,365	0
Total Expenditures	15,114,079	14,418,146	695,933
Excess of Revenues Over (Under) Expenditures	(1,296,551)	(604,772)	691,779
Other Financing Sources (Uses):			
Transfers In	631,690	631,690	0
Transfers Out	(633,690)	(631,690)	2,000
Total Other Financing Sources/(Uses)	(2,000)	0	2,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,298,551)	(604,772)	693,779
Fund Balances at Beginning of Year (Restated - Note 3)	3,708,857	3,708,857	0
Prior Year Encumbrances Appropriated	627,229	627,229	0
Fund Balances at End of Year	\$3,037,535	\$3,731,314	\$693,779

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FICAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Sales	\$352,953	\$0	\$0	\$352,953
Interest	0	0	496	496
Charges for Services	0	1,227,290	0	1,227,290
Other Revenues	347	21,789	5,000	27,136
Total Operating Revenue	353,300	1,249,079	5,496	1,607,875
Operating Expenses:				
Salaries	239,209	0	0	239,209
Fringe Benefits	112,243	0	0	112,243
Purchased Services	29,725	90,899	0	120,624
Materials and Supplies	31,212	0	0	31,212
Cost of Sales	301,595	0	0	301,595
Depreciation	17,742	0	0	17,742
Claims	0	1,507,905	0	1,507,905
Scholarships	0	0	900	900
Total Operating Expenses	731,726	1,598,804	900	2,331,430
Operating Income (Loss)	(378,426)	(349,725)	4,596	(723,555)
Non-Operating Revenues/Expenses:				
Federal Donated Commodities	38,458	0	0	38,458
Operating Grants	273,270	0	0	273,270
Loss on Sale of Fixed Assets	(3,059)	0	0	(3,059)
Interest	4,887	15,613	0	20,500
Total Non-Operating Revenues/Expenses:	313,556	15,613	0	329,169
Net Income (Loss)	(64,870)	(334,112)	4,596	(394,386)
Retained Earnings (Deficit)/Fund Balance at Beginning of Year (Restated-Note 3)	(214,101)	298,393	5,365	89,657
Retained Earnings (Deficit)/Fund Balance at End of Year (Restated-Note 3)	(278,971)	(35,719)	9,961	(304,729)
Contributed Capital at Beginning and End of Year	515,337	0	0	515,337
Total Fund Equity (Deficit) at End of Year	\$236,366	(\$35,719)	\$9,961	\$210,608

See accompanying notes to the general purpose financial statements.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary	Fund Type	
	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$352,967	\$352,953	(\$14)
Interest	0	0	0
Charges for Services	0	0	0
Other Revenues	500	347	(153)
Total Revenues	353,467	353,300	(167)
Expenses:			
Salaries	245,492	244,391	1,101
Fringe Benefits	107,971	105,126	2,845
Purchased Services	41,035	40,278	757
Materials and Supplies	293,487	291,679	1,808
Capital Outlay	2,000	0	2,000
Other	1,920	1,918	2
Total Expenses	691,905	683,392	8,513
Excess of Revenues Over (Under) Expenses	(338,438)	(330,092)	8,346
Non-Operating Revenues:			
Interest	4,887	4,887	0
Federal and State Subsidies	320,496	320,496	0
Total Non-Operating Revenues	325,383	325,383	0
Excess Revenues and Other Non-Operating Revenues Over/Under Expenses	(13,055)	(4,709)	8,346
Fund Equity at Beginning of Year (Restated - Note 3)	150,487	150,487	0
Prior Year Encumbrances Appropriated	1,049	1,049	0
Fund Equity at End of Year	\$138,481	\$146,827	\$8,346

See accompanying notes to the general purpose financial statement.

Proprietary Fund Type			Fiduciary Fund Type		
Internal Service Funds			Nonexpendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	496	496	0
1,227,290	1,227,290	0	0	0	0
21,789	21,789	0	5,000	5,000	0
1,249,079	1,249,079	0	5,496	5,496	0
0	0	0	0	0	0
0	0	0	0	0	0
1,456,363	1,455,902	461	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	600	600	0
1,456,363	1,455,902	461	600	600	0
(207,284)	(206,823)	461	4,896	4,896	0
15,613	15,613	0	0	0	0
0	0	0	0	0	0
15,613	15,613	0	0	0	0
(191,671)	(191,210)	461	4,896	4,896	0
366,604	366,604	0	5,364	5,364	0
0	0	0	0	0	0
\$174,933	\$175,394	\$461	\$10,260	\$10,260	\$0

(continued)

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
)			
Revenues:			
Sales	\$352,967	\$352,953	(\$14)
Interest	496	496	0
Charges for Services	1,227,290	1,227,290	0
Other Revenues	27,289	27,136	(153)
Total Revenues	1,608,042	1,607,875	(167)
Expenses:			
Salaries	245,492	244,391	1,101
Fringe Benefits	107,971	105,126	2,845
Purchased Services	1,497,398	1,496,180	1,218
Materials and Supplies	293,487	291,679	1,808
Capital Outlay	2,000	0	2,000
Other	2,520	2,518	2
Total Expenses	2,148,868	2,139,894	8,974
Excess of Revenues Over (Under) Expenses	(540,826)	(532,019)	8,807
Non-Operating Revenues:			
Interest	20,500	20,500	0
Federal and State Subsidies	320,496	320,496	0
Total Non-Operating Revenues	340,996	340,996	0
Excess Revenues and Other Non-Operating Revenues Over/Under Expenses	(199,830)	(191,023)	8,807
Fund Equity at Beginning of Year (Restated - Note 3)	522,455	522,455	0
Prior Year Encumbrances Appropriated	1,049	1,049	0
Fund Equity at End of Year	\$323,674	\$332,481	\$8,807

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	352,953	0	0	352,953
Cash Received from Quasi-External Cash Transactions	0	1,249,079	0	1,249,079
Cash Received from Interest	0	0	496	496
Cash Received From Other Operating Sources	347	0	5,000	5,347
Cash Payments to Suppliers for Goods and Services	(317,735)	(90,899)	0	(408,634)
Cash Payments to Employees for Services	(244,391)	0	0	(244,391)
Cash Payments for Employee Benefits	(105,126)	0	0	(105,126)
Cash Payments for Claims	0	(1,365,003)	0	(1,365,003)
Cash Payments for Other Expenses	(1,919)	0	(600)	(2,519)
Net Cash Used in Operating Activities	(315,871)	(206,823)	4,896	(517,798)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	320,496	0	0	320,496
Net Cash Provided by Noncapital Financing Activities	320,496	0	0	320,496
Cash Flows from Investing Activities:				
Interest on Investments	4,887	15,613	0	20,500
Purchase of Investments	0	0	(244)	(244)
Net Cash Provided by Investing Activities	4,887	15,613	(244)	20,256
Net Increase (Decrease) in Cash and Cash Equivalents	9,512	(191,210)	4,652	(177,046)
Cash and Cash Equivalents at Beginning of Year	151,535	366,605	0	518,140
Cash and Cash Equivalents at End of Year	161,047	175,395	4,652	341,094

(continued)

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Non- Expendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:				
Operating Income (Loss)	(378,426)	(349,725)	4,596	(723,555)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	17,742	0	0	17,742
Donated Commodities Used During Year	38,458	0	0	38,458
Changes in Assets and Liabilities:				
Decrease in Inventory Held for Resale	90	0	0	90
Increase in Materials and Supplies Inventory	(380)	0	0	(380)
Increase in Prepaid Items	(5,121)	0	0	(5,121)
Increase in Accounts Payable	4,710	0	300	5,010
Increase in Accrued Wages	4,838	0	0	4,838
Decrease in Compensated Absences Payable	(1,506)	0	0	(1,506)
Increase in Intergovernmental Payable	3,724	0	0	3,724
Increase in Claims Payable	0	142,902	0	142,902
Total Adjustments	62,555	142,902	300	205,757
Net Cash Used In/Provided by Operating Activities	(315,871)	(206,823)	4,896	(517,798)
Reconciliation:				
Cash and Cash Equivalents - All Fiduciary Funds		40,611		
Cash and Cash Equivalents - Agency Funds		(32,287)		
Cash and Cash Equivalents - All Expendable Trust Funds		(3,672)		
Cash and Cash Equivalents - All Non-Expendable Trust Funds		4,652		

See accompanying notes to the general purpose financial statements.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Rolling Hills Local 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 who provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the School District's six instructional support facilities staffed by approximately 88 classified, 140 certificated full time teaching personnel, and 14 administrative employees who provide services to 2,142 students.

The reporting entity is comprised 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, preschool and student related activities of the School District. The following activities are also included within the reporting entity.

Within the School District boundaries Holy Trinity School is operated through the Catholic Diocese and Calvary Christian School is operated through Calvary Baptist Church. Current state legislation provides funding to these parochial schools. These monies are received and disbursed by the School District on behalf of the parochial schools and transportation is provided to their students. The activity of these state monies by the School District is reflected in a Special Revenue Fund for financial reporting purposes due to GASB Statement No. 24.

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 for the organization. The School District has no component units.

The following potential component units have been excluded from the School District's financial statements:

Village of Byesville

Boosters: Athletic, Academic and Music; Home and School Organizations

Guernsey – Monroe – Noble Educational Service Center

ECO-SERCC

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

The School District is associated with four organizations, which are defined as jointly governed organizations and public entities. These organizations include the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the Mid-East Ohio Vocational School District, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Metropolitan Educational Council. These organizations are discussed in Note 15 and 16 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Rolling Hills Local 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 issued on or before November 30, 1989, to proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable financial resources. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and in a trust fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - This 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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include non-expendable trust, expendable trust and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Expendable trust funds are accounted for in essentially the same manner as governmental fund types. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following accounts groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets and nonexpendable trust fund.

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type and nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year-end.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue. In the proprietary fund types, unused donated commodities are reported as deferred revenue.

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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the cost of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and non-expendable trust funds. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Guernsey County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2000. Prior to year-end, the School District requested an amended Certificate of Estimated Resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to Star Ohio and a certificate of deposit. The nonnegotiable certificate of deposit is reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (Star Ohio) during fiscal year 2000. 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, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings which include the General Fund, Food Service Enterprise Fund, and the Self-Insurance Internal Service Fund. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$291,364 which includes \$181,919 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal school year, the School

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

District had one investment in the Bessie Sarchet Non-Expendable Trust Fund in the form of a thirty-six month certificate of deposit.

E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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 hundred dollars. The School District has opted to exclude textbooks and library books. The School District does not possess any infrastructure.

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 capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of seven to twenty years.

I. Intergovernmental Revenue

For governmental funds, intergovernmental revenues such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement
Capital Improvements/Maintenance Grant

Special Revenue

Disadvantage Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Class Size Reduction
Drug Free Schools (Title IV)
Education Management Information System
Eisenhower Mathematics & Science Education Grant
Goals 2000 Federal Grant
OACHE
Ohio Reads
Safe School Helpline
School Net Professional Development
State Grant-Textbooks/Materials
Teacher Development
Telecomm (E-Rate) Fund
Title I
Title VI
Title VI-B
Continuous Improvement Federal Grant

ROLLING HILLS LOCAL SCHOOL DISTRICT
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Capital Project Funds

School Net and School Net Plus
Technology Equity
Video Distance Learning
State School Building Repair Fund

Reimbursable Grants

General Fund

Driver Education Reimbursement

Special Revenue Fund

FEMA

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 53% of the governmental fund revenue during the 2000 fiscal year.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees after 19 years of current service with the School District and for food service employees after 17 years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

ROLLING HILLS LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities, and judgements are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims, compensated absences and pension obligations that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Under Ohio Law, a debt service retirement fund must be created and used for the payment of all debt principal and interest. Generally Accepted Accounting Principles require the allocation of the debt liability among the capital projects and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with Generally Accepted Accounting Principles reporting requirements, the School District's debt retirement fund has been split among the appropriate funds and account group. Debt Service Fund resources used to pay both principal and interest has also been allocated accordingly.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity 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, inventories of supplies and materials, property taxes, Bus purchases, endowments, and budget stabilization.

The reserve for endowment is for the portion of non-expendable trust fund balance that is to remain intact to be invested according to the terms of the trust agreement. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowment signifies the legal restrictions on the use of principal. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

ROLLING HILLS LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

N. Designated Fund Balance

The School District has a fund balance designation on the balance sheet for additional money above the reserve for budget stabilization required by State statute.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources, provided to the enterprise fund and not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. There was no change in contributed capital during this fiscal year.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with Generally Accepted Accounting Principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Q. Estimates

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

NOTE 3 - ACCOUNTABILITY & RESTATEMENT

A. Fund Deficits:

The following funds had deficit fund balances at June 30, 2000:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Title VI-B	\$1,230
Title I	\$29,454
Byesville Rotary Readers	\$735
Self Insurance Internal Service Fund:	\$35,719
Food Service Enterprise Fund:	\$278,971

Deficit balances in the Title VI-B, Title I, Byesville Rotary Readers Special Revenue Funds and Internal Service Self Insurance Fund resulted from recognition of payables in accordance with

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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Generally Accepted Accounting Principles. The Food Service Enterprise Fund had deficit retained earnings due to the recognition of contributed capital in accordance with generally accepted accounting principles. In addition, the School District has not established charges for services sufficient to cover costs of operation. The School District will review this practice to determine possible alternatives.

B. Prior Year Fund Equity Restatement

A prior period adjustment was made to restate the ending balances from 1999 in the Food Service Enterprise Fund and the Permanent Improvements Fund that was due to the posting of a receipt of \$4,600 for the sale of fixed assets to the wrong fund.

<u>Fund</u>	<u>Fund Balance at 6/30/99</u>	<u>Restated Fund Balance at 7/1/99</u>	<u>Difference</u>
Enterprise Fund: Food Service	\$155,087	\$150,487	(\$4,600)
Permanent Improvements	\$410,298	\$414,898	\$4,600

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

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 and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and Generally Accepted Accounting Principles basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (Generally Accepted Accounting Principles basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP Basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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5. Proceeds from and principal payment on short-term note obligations are reported On the operating statement (budget basis) rather than on the balance sheet (GAAP) basis).
6. Principal and interest payments on notes and the corresponding revenues are reported in a debt service fund (budget basis) rather than in the fund that received the proceeds (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Trust Funds				
	<u>General</u>	<u>Revenue</u>	<u>Service</u>	<u>Projects</u>	<u>Trust</u>
GAAP Basis	\$(343,092)	(\$562,037)	\$968	\$281,157	\$2,240
Net Adjustment For Revenue Accruals	12,943	292,732	18,362	(85,000)	0
Net Adjustment For Expenditure Accruals	161,572	44,449	0	(30,840)	(1,500)
Encumbrances	(252,976)	(36,444)	0	(7,306)	0
Debt Principal	0	0	(100,000)	0	0
Interest & Fiscal	0	0	(30,800)	30,800	0
Transfers - In	<u>0</u>	<u>0</u>	<u>130,800</u>	<u>(130,800)</u>	<u>0</u>
Budget Basis	<u>(\$421,553)</u>	<u>(\$261,300)</u>	<u>\$19,330</u>	<u>\$58,011</u>	<u>\$740</u>

**ROLLING HILLS LOCAL SCHOOL DISTRICT
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Net Income (Loss)/Excess of Revenues and
Other Non-Operating Revenue Over (Under) Expenses
Proprietary Fund Types and Non-Expendable Trust Fund

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non Expendable Trust</u>
GAAP Basis	(\$64,870)	(\$334,112)	\$4,596
Net Adjustment for Revenue Accruals	8,768	0	0
Loss on Sale of Fixed Asset	3,059	0	0
Net Adjustment for Expenditure Accruals	44,813	142,902	300
Encumbrances	(14,221)	0	0
Depreciation	<u>17,742</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>(\$4,709)</u>	<u>(\$191,210)</u>	<u>\$4,896</u>

NOTE 5 – CASH AND CASH EQUIVALENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 deposits accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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 two years from the date of deposit or by savings or deposit accounts

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including passbook accounts.

Protection of Rolling Hills Local School District deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations 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 other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio): and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities

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are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year-end, the carrying amount of the District's deposits was \$3,080,000 and the bank balance was \$3,343,425. Of the bank balance, \$3,343,425 was covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the District.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The District invests in STAROhio which is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The carrying value and market value of the District's STAROhio account on June 30, 2000 was \$1,341,314.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement no. 9. Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$4,415,705	\$5,609
Certificate of Deposit	5,609	(5,609)
Star Ohio	<u>(1,341,314)</u>	<u>1,341,314</u>
GASB Statement 3	<u>\$3,080,000</u>	<u>\$1,341,314</u>

At June 30, 2000, the School District's internal service fund had a balance of \$175,395. The money is held in a District bank account. This process changed as of July 1, 1999 when the District no longer was a part of the OME-RESA pooled account. The District maintains a self-insured program with Med-Ben, Administrators, located in Newark, Ohio who review all claims that are paid by the School District. Claims requests are forwarded to the District from Med-Ben, Inc. and checks are disbursed for the total amount approximately twice each month.

ROLLING HILLS LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Guernsey, Muskingum, and Noble Counties. The Guernsey County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$1,150,302 and is recognized as revenue. \$690,055 was available to the General Fund, \$308,441 was available to the Emergency Levy Special Revenue Fund, and \$151,806 was available to the Debt Service Fund. At June 30, 1999, \$1,249,419 was available to the School District. \$733,499 was available to the General Fund, \$345,752 was available to the Emergency Levy Special Revenue Fund, and \$170,168 was available to the Debt Service Fund.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<u>1999 Second- Half Collections</u>		<u>2000 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential, Other Real Estate & Public Utility Personal	\$99,849,620	63.8%	\$104,571,960	64.9%
Tangible Personal Property	<u>56,725,670</u>	<u>36.2%</u>	<u>56,485,440</u>	<u>35.1%</u>
Total	<u>\$156,575,290</u>	<u>100.0%</u>	<u>\$161,057,400</u>	<u>100.0%</u>
 Tax rate per \$1,000 of .35 assessed valuation	 \$36.84		 \$36.04	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. 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. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables

	<u>Amounts</u>
General Fund:	
State Auditor - CAFS	\$ 14,261
Drivers Education	200
Miscellaneous Intergovernmental	<u>528</u>
Total General Fund	14,989
 Special Revenue Funds:	
Title I	26,675
Beech Grove Center	<u>10,580</u>
Total Special Revenue Funds:	37,255
 Permanent Improvements: School Net Plus	<u>85,000</u>
 Grand Total	<u>\$ 137,244</u>

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Machinery and Equipment	\$484,573
Less accumulated depreciation	<u>(327,778)</u>
Net Fixed Assets	<u>\$156,795</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	<u>Balance</u> <u>June 30, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2000</u>
Land & Improvements	\$639,418	\$0	\$0	\$639,418
Buildings & Building Improvements	16,181,752	295,099	15,070	16,461,781
Machinery, Equipment, Furniture & Fixtures	3,332,793	289,797	100,301	3,522,289
Vehicles	<u>1,209,061</u>	<u>170,576</u>	<u>0</u>	<u>1,379,637</u>
Total	<u>\$21,363,024</u>	<u>\$755,472</u>	<u>\$115,371</u>	<u>\$22,003,125</u>

The School District has opted to exclude textbooks and library books for reporting purposes.

NOTE 9 - RISK MANAGEMENT

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 2000 the School District contracted with Nationwide Insurance for property insurance. Nationwide Insurance also covers boiler and machinery with a \$11,950,000 single occurrence limit and a \$1,000 deductible.

Professional liability is protected by Nationwide Insurance with a \$2,000,000 single occurrence limit and an aggregate limit of \$5,000,000 and no deductible. Vehicles are also covered by Nationwide Insurance and hold a \$500 deductible for comprehensive and a \$500 deductible for collision. Settled claims have not exceeded this commercial coverage in any of the past ten years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16).

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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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. 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.

The School District has elected to provide employee medical/surgical benefits through a self-insured program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$100 single and \$300 family deductible. A third party administrator, Med-Ben Administrators, located in Newark, Ohio, reviews all claims that are then paid by the School District. The School District purchases stop-loss coverage of \$30,000 per individual and an aggregate limit is set, annually, for the entire group. The School District pays into the Self-Insurance Internal Service Fund \$591.40 family coverage or \$274.42 individual coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

Dental coverage is included on a self-insured basis through Self-Funded Plans, Inc. Premiums for this coverage are \$61.55 monthly for family coverage and \$31.57 for single coverage as part of the entire premium required amount.

The School District also provides prescription drug insurance to its employees through a self-insured program. This plan utilized a \$2.00 prescription deductible or \$5.00 brand name. The Ohio Health Choice reviews all claims, which are then paid by the School District. The premium for this coverage is \$81.38 monthly for family coverage and \$45.71 for single coverage.

The claims liability of \$211,114 reported in the Self Insurance Internal Service Fund at June 30, 2000 is based on the requirements of Governmental Accounting Standards Board Statement No.10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount during 1999 and 2000 are as follows:

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	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$165,694	\$958,158	\$1,055,640	\$68,212
2000	\$68,212	\$1,507,905	\$1,365,003	\$211,114

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2000, 5.5 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$263,940, 261,620, and \$248,288, respectively; 40.0 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$159,270 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$769,438, \$741,267, and \$716,100 respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$135,080 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000 one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$436,679 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$94,107.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees, central office employees, administrators and 260 day supervisors earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of 200 annual work days for classified employees and 210 work days for certified employees per contract. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. A minimum of one day severance pay is paid to retiring employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

to all full-time employees through Union Central Life Insurance Co, in the amount of \$20,000.

NOTE 13 - NOTE ACTIVITY

During 1995, the District issued \$999,000 in Energy Conservation Notes that will be repaid from Permanent Improvement Tax Levy proceeds. The Notes are reflected as a liability of the Permanent Improvement Capital Projects Fund. Principal and interest requirements to retire this note outstanding at June 30, 2000 are \$570,000 including interest of \$70,000.

<u>Fiscal</u> <u>Year</u>	<u>1994</u> <u>Energy Conservation</u>
2001	\$125,200
2002	119,600
2003	114,000
2004	108,400
2005	<u>102,800</u>
Total	<u><u>\$570,000</u></u>

NOTE 14 - LONG TERM OBLIGATIONS

Long term obligations of the School District as of June 30, 2000 were as follows:

	<u>Outstanding</u> <u>6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> <u>6/30/00</u>
<u>General Obligation</u>				
<u>Bonds:</u>				
School Facilities				
Improvements-1985 (9.0% Interest Rate)	\$3,250,000	\$0	\$325,000	\$2,925,000
Energy Conservation				
1993 Loan (6.2% Interest Rate)	495,000	0	155,000	340,000
Long-Term Pension Obligations	98,417	97,546	98,417	97,546
Compensated Absences	<u>637,792</u>	<u>0</u>	<u>16,388</u>	<u>621,404</u>
Grand Total General Obligations Debt	<u><u>\$4,481,209</u></u>	<u><u>\$97,546</u></u>	<u><u>\$594,805</u></u>	<u><u>\$3,983,950</u></u>

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

The School District's voted legal debt margin was \$14,495,166 with an unvoted debt margin of \$161,057 at June 30, 2000.

General obligations bonds will be paid from the Debt Service Fund. Compensated absences and long-term pension obligations will be paid from the fund which the individuals are paid.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2000 including interest of \$1,184,625 for School Facilities Improvements and \$31,930 for the Energy Conservation Loan are as follows:

<u>YEAR</u>	<u>SCHOOL FACILITIES IMPROVEMENTS</u>	<u>ENERGY CONSERVATION 1993 LOAN</u>	<u>TOTAL</u>
2001	\$573,625	\$186,080	\$759,705
2002	544,375	185,850	730,225
2003	515,125	0	515,125
2004	485,875	0	485,875
2005	456,625	0	456,625
2004-2008	<u>1,534,000</u>	<u>0</u>	<u>1,534,000</u>
Total	<u>\$4,109,625</u>	<u>\$371,930</u>	<u>\$481,555</u>

In addition, the School District received \$5,941,640 in monies from the Ohio School Facilities Commission. Initially, repayment of the Ohio School Facilities Commission funds was to be made over a twenty-three period from a half-mill levy. During 1998, the School District passed the necessary board resolution which enables the School District to retain the half-mill levy for the maintenance of the School District's buildings due to the District's assessed values being below the statewide median. As a result of the approval from the Ohio School Facilities Commission, the School District has no obligation to repay the School Facilities loan, as long as, the District's assessed values remain below the median. Due to the District's current ranking of 194 and the median being 306, the likelihood of future repayment requirements are remote. However, in any year in which the School District's assessed value rise above the median, half of the levy proceeds would be paid to the State to retire the loan. Any unpaid balance at the end of twenty-three years will be forgiven.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Education Service Agency

Ohio Mid-Eastern Regional Educational Service Agency is a jointly governed organization created as a regional council of governments pursuant to State Statutes. OME-RESA provides financial accounting services, educational management information system services, cooperative purchase services and legal services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors, which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors. The Jefferson County Board of Education office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the District's continued participation and no equity interest exists. OME-RESA has no outstanding debt.

B. Mid-East Ohio Vocational School District

The Mid-East Ohio Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the thirteen participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to the Mid-East Ohio Vocational School, Cindy Nye, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

NOTE 16 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

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. Purchasing Pool

The School District participates in the Metropolitan Educational Council (MEC), a purchasing pool. The organization is composed of over 100 members which includes school districts, joint vocational schools and libraries covering 24 counties in Central Ohio. The MEC helps school district purchase services, food, supplies, etc., at a reduced rate. The Governing Board of MEC

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

is composed of either the superintendent, his 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.

NOTE 17 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$5,852,262 of school foundation support for its general fund.

In addition, the court declared the classroom facilities program unconstitutional because in the court opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$5,941,640 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial statements.

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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, 2000.

B. Litigations

The School District is not party to any litigation at 6/30/00.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The School District also receives resources from the State of Ohio which are restricted by State law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the general fund at fiscal year end.

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

ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance As of June 30, 1999	\$0	\$0	\$150,199
Current Year Set- Aside Requirement	251,738	251,738	1,155
Current Year Offsets	0	(322,752)	0
Qualifying Disbursements	<u>(414,783)</u>	<u>0</u>	<u>0</u>
Totals	(163,045) =====	(71,014) =====	151,354 =====
Cash Balance Carried Forward to FY 2000	(\$163,045) =====	(\$71,014) =====	\$151,354 =====
Total restricted balances to Carry forward to FY 2001	<u>\$0</u>	<u>\$0</u>	<u>\$151,354</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. This extra amount may be used to reduce the textbook set-aside requirements in future fiscal years. The excess monies from the transfer from the General fund to the Permanent Improvement Fund may be used to reduce the capital set-aside in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$151,354.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<u>U.S. Department of Agriculture</u>						
<i>Passed-Through State Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$38,458	\$0	\$38,458
School Breakfast Program	047308-05-PU-99/00	10.553	68,284		68,284	
National School Lunch Program	047308-03/04-PU-99/00	10.555	230,868		230,868	
Total U.S. Department of Agriculture - Child Nutrition Cluster			299,152	38,458	299,152	38,458
<u>U.S. Department of Labor</u>						
<i>Passed-Through State Department of Education:</i>						
School To Work Grant	047308-WK-BE-98	17.249			10,000	
Total U.S. Department of Labor			0	0	10,000	0
<u>Federal Emergency Management Agency</u>						
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency:</i>						
Public Assistance Grants	N/A	83.544	212,589		210,802	
Total Federal Emergency Management Agency			212,589	0	210,802	0
<u>U.S. Department of Education</u>						
<i>Passed-Through State Department of Education:</i>						
Title I Grants to Local Educational Agencies	047308-C1-S1-99/00	84.010	467,150		467,169	
Special Education Grants to States (Title VI-B)	047308-6B-SF-99/00	84.027	119,001		107,415	
Safe and Drug Free Schools	047308-DR-S1-99/00	84.186	9,557		11,335	
Capital Expenses	047308-CX-S1-99	84.216	2,200		1,126	
Goals 2000	047308-G2-S2-99/00	84.276	25,000		28,962	
Eisenhower Professional Development State Grants	047308-MS-S1-99/00	84.281	12,443		13,924	
Innovative Education Program Strategies (Title VI)	047308-C2-S1-99/00	84.298	12,790		15,502	
Class Size Reduction	047308-CR-S1-00	84.340	65,006		48,194	
Total U.S. Department of Education			713,147	0	693,627	0
<u>U.S. Department of Health and Human Services</u>						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	N/A	93.778	88,338		88,338	
Total U.S. Department of Health and Human Services			88,338	0	88,338	0
Total Federal Financial Assistance			\$1,313,226	\$38,458	\$1,301,919	\$38,458

The accompanying notes to this Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.

NOTE C - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAMS

Federal monies are commingled with total food service funds. It is assumed federal monies are expended first.



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated January 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 18, 2001.

Rolling Hills Local School District
Guernsey County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 18, 2001



**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND 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 are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. 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 generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Rolling Hills Local School District
Guernsey County

Report of Independent Accountants on Compliance With Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 18, 2001

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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 - CFDA #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**

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for federal awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

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ROLLING HILLS LOCAL SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 1, 2001**