



**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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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, (the School District) as of and for the year ended June 30, 1999, 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, 1999, 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 20, 2000 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.

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 20, 2000

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Rolling Hills Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				

Assets:				

Equity in Pooled Cash and Cash Equivalents	\$2,359,022	\$627,588	\$603,061	\$588,685
Investments:				
Investments	0	0	0	0
Cash with Fiscal Agents	0	0	0	0
Receivables:				
Property and Other Taxes	3,394,794	1,538,997	743,516	0
Accounts	4,751	0	0	0
Intergovernmental	11,701	292,676	0	0
Accrued Interest	3,164	0	0	0
Prepaid Items	9,458	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Equivalents	150,199	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	85,029	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	\$6,018,118	\$2,459,261	\$1,346,577	\$588,685
	=====	=====	=====	=====

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$156,135	\$0	\$31,383	\$0	\$0	\$4,365,874
0	0	5,365	0	0	5,365
0	366,605	0	0	0	366,605
0	0	0	0	0	5,677,307
0	0	0	0	0	4,751
47,282	0	0	0	0	351,659
0	0	0	0	0	3,164
0	0	0	0	0	9,458
0	0	0	0	0	150,199
9,886	0	0	0	0	9,886
2,423	0	0	0	0	87,452
177,595	0	0	21,363,024	0	21,540,619
0	0	0	0	773,229	773,229
0	0	0	0	3,707,980	3,707,980
<u>\$393,321</u>	<u>\$366,605</u>	<u>\$36,748</u>	<u>\$21,363,024</u>	<u>\$4,481,209</u>	<u>\$37,053,548</u>

(continued)

Rolling Hills Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (continued)
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
Fund Equity and Other Credits:				

Liabilities:				

Accounts Payable	\$19,766	\$25,811	\$0	\$30,840
Accrued Wages and Benefits	922,597	332,802	0	0
Compensated Absences Payable	17,980	0	0	0
Long Term Comp Absences Payable	0	0	0	0
Intergovernmental Payable	168,708	51,474	0	0
Intergovernmental Payable				
Long Term Pension Obligation	0	0	0	0
Deferred Revenue	2,661,295	1,193,245	573,348	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	600,000
General Obligation Bonds Payable	0	0	0	0
	-----	-----	-----	-----
Total Liabilities	3,790,346	1,603,332	573,348	630,840
	-----	-----	-----	-----
Fund Equity and Other Credits:				

Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved for Endowments	0	0	0	0
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	285,752	122,315	0	178,387
Reserved for Inventory	85,029	0	0	0
Reserved for Property Taxes	733,499	345,752	170,168	0
Reserved for Budget Stabilization	150,199	0	0	0
Unreserved: Designated	59,976	0	0	0
Unreserved: Undesignated	913,317	387,862	603,061	(220,542)
	-----	-----	-----	-----
Total Fund Equity and Other Credits	2,227,772	855,929	773,229	(42,155)
	-----	-----	-----	-----
Total Liabilities, Fund Equity and Other Credits	\$6,018,118	\$2,459,261	\$1,346,577	\$588,685
	=====	=====	=====	=====

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	
\$0	\$0	\$2,000	\$0	\$0	\$78,417
49,827	0	0	0	0	1,305,226
0	0	0	0	0	17,980
8,539	0	0	0	637,792	646,331
23,109	0	0	0	0	243,291
0	0	0	0	98,417	98,417
6,010	0	0	0	0	4,433,898
0	0	23,157	0	0	23,157
0	0	5,294	0	0	5,294
0	68,212	0	0	0	68,212
0	0	0	0	495,000	1,095,000
0	0	0	0	3,250,000	3,250,000
87,485	68,212	30,451	0	4,481,209	11,265,223
0	0	0	21,363,024	0	21,363,024
515,337	0	0	0	0	515,337
0	0	5,000	0	0	5,000
(209,501)	298,393	365	0	0	89,257
0	0	0	0	0	586,454
0	0	0	0	0	85,029
0	0	0	0	0	1,249,419
0	0	0	0	0	150,199
0	0	0	0	0	59,976
0	0	932	0	0	1,684,630
305,836	298,393	6,297	21,363,024	0	25,788,325
\$393,321	\$366,605	\$36,748	\$21,363,024	\$4,481,209	\$37,053,548

Rolling Hills Local School District, Ohio
 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, 1999

	-----Governmental Fund Types-----			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and Other Taxes	\$2,908,095	\$1,356,196	\$648,352	\$0
Intergovernmental	6,297,791	1,174,678	57,394	384,101
Inteřest	277,016	0	0	0
Tuition and Fees	67,117	25	0	0
Rent	5,129	69,700	0	0
Extracurricular Activities	0	151,966	0	0
Gifts and Donations	4,770	2,547	0	0
Miscellaneous	24,144	82,284	0	0
Total Revenues	9,584,062	2,837,396	705,746	384,101
Expenditures:				
Current:				
Instruction:				
Regular	3,774,282	1,508,136	0	82,813
Special	609,237	395,836	0	0
Vocational	328,306	7,280	0	0
Adult/Continuing	4,992	0	0	0
Other	78,791	6,420	0	0
Support Services:				
Pupils	467,506	154,501	0	0
Instructional Staff	342,819	236,255	0	0
Board of Education	84,875	0	0	0
Administration	952,251	15,653	0	0
Fiscal	313,026	26,704	12,681	0
Operation and Maintenance of Plant	1,019,047	190,142	0	0
Pupil Transportation	709,959	0	0	0
Central	11,705	12,520	0	116,354
Non-Instructional Services	0	31,306	0	0
Extracurricular Activities	16,366	182,112	0	0
Capital Outlay	373,663	28,994	0	391,376
Debt Service:				
Principal Retirement	0	0	470,000	0
Interest and Fiscal Charges	0	0	346,805	36,400
Total Expenditures	9,086,825	2,795,859	829,486	626,943
Excess of Revenues Over (Under) Expenditures	497,237	41,537	(123,740)	(242,842)
Other Financing Sources:				
Operating Transfers - In	678,531	107,907	115,080	267,400
Operating Transfers - Out	(1,166,511)	0	0	0
Proceeds from Sale of Fixed Assets	8,708	0	0	0
Total Other Financing Sources	(479,272)	107,907	115,080	267,400
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17,965	149,444	(8,660)	24,558
Fund Balances (Deficit) at Beginning of Year	2,212,434	706,485	781,889	(66,713)
Decrease in Reserve for Inventory	(2,627)	0	0	0
Fund Balances(Deficits)at End of Year	\$2,227,772	\$855,929	\$773,229	(\$42,155)

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
----- Expendable Trust -----	----- ----- -----
\$0	\$4,912,643
0	7,913,964
0	277,016
- 0	67,142
0	74,829
0	151,966
985	8,302
0	106,428
----- 985	----- 13,512,290 -----

2,200	5,367,431
0	1,005,073
0	335,586
0	4,992
0	85,211
0	622,007
0	579,074
0	84,875
0	967,904
0	352,411
0	1,209,189
0	709,959
0	140,579
0	31,306
0	198,478
0	794,033
0	470,000
0	383,205
----- 2,200	----- 13,341,313 -----

----- (1,215)	----- 170,977 -----
------------------	---------------------------

0	1,168,918
0	(1,166,511)
----- 0	----- 8,708 -----
----- 0	----- 11,115 -----

(1,215)	182,092
---------	---------

2,147	3,636,242
0	(2,627)
----- \$932	----- \$3,815,707 -----

Rolling Hills Local School District, Ohio
 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, 1999

	-----General Fund-----			-----Special Revenue Funds-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$2,968,774	\$2,968,774	\$0	\$1,396,076	\$1,396,076	\$0
Intergovernmental	6,295,060	6,295,059	(1)	882,002	882,002	0
Interest	280,000	278,508	(1,492)	0	0	0
Tuition and Fees	68,393	68,346	(47)	25	25	0
Rent	5,150	5,129	(21)	73,495	73,495	0
Extracurricular Activities	0	0	0	152,007	151,966	(41)
Gifts and Donations	4,770	4,770	0	2,591	2,547	(44)
Miscellaneous	25,887	25,904	17	82,378	82,284	(94)
Total Revenues	9,648,034	9,646,490	(1,544)	2,588,574	2,588,395	(179)
Expenditures:						
Current:						
Instruction:						
Regular	3,881,338	3,851,178	30,160	1,601,770	1,554,254	47,516
Special	605,224	604,557	667	392,400	384,518	7,882
Vocational	318,235	317,128	1,107	7,276	7,276	0
Adult/Continuing	4,992	4,992	0	0	0	0
Other	82,368	78,791	3,577	13,935	13,935	0
Support Services:						
Pupils	466,287	465,375	912	161,178	155,037	6,141
Instructional Staff	335,359	334,768	591	274,976	250,088	24,888
Board of Education	88,998	87,056	1,942	0	0	0
Administration	946,583	946,137	446	15,050	14,782	268
Fiscal	313,263	311,550	1,713	26,713	26,704	9
Operation and Maintenance of Plant	1,067,023	1,056,766	10,257	250,216	240,649	9,567
Pupil Transportation	794,672	787,078	7,594	0	0	0
Central	10,120	9,119	1,001	12,520	12,520	0
Non-Instructional Services	0	0	0	77,220	62,026	15,194
Extracurricular Activities	16,074	16,071	3	183,318	177,463	5,855
Capital Outlay	525,990	451,832	74,158	38,100	38,100	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,456,526	9,322,398	134,128	3,054,672	2,937,352	117,320
Excess of Revenues Over (Under) Expenditures	191,508	324,092	132,584	(466,098)	(348,957)	117,141
Other Financing Sources:						
Transfers In	678,531	678,531	0	107,907	107,907	0
Proceeds from Sale of Fixed Assets	8,709	8,709	0	0	0	0
Transfers Out	(1,183,627)	(1,166,512)	17,115	0	0	0
Total Other Financing Sources/ (Uses)	(496,387)	(479,272)	17,115	107,907	107,907	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(304,879)	(155,180)	149,699	(358,191)	(241,050)	117,141
Fund Balances at Beginning of Year	1,963,932	1,963,932	0	645,709	645,709	0
Prior Year Encumbrances Appropriated	399,194	399,194	0	75,361	75,361	0
Fund Balances at End of Year	\$2,058,247	\$2,207,946	\$149,699	\$362,879	\$480,020	\$117,141

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)
\$653,130	\$653,130	\$0	\$0	\$0	\$0	\$0	\$0	\$0
57,394	57,394	0	592,615	584,579	(8,036)	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	3,000	985	(2,015)
0	0	0	0	0	0	0	0	0
710,524	710,524	0	592,615	584,579	(8,036)	3,000	985	(2,015)
0	0	0	253,911	221,404	32,507	2,400	2,400	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
13,458	12,681	777	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	118,800	116,354	2,446	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	573,950	569,763	4,187	0	0	0
570,000	570,000	0	0	0	0	0	0	0
383,205	383,205	0	0	0	0	0	0	0
966,663	965,886	777	946,661	907,521	39,140	2,400	2,400	0
(256,139)	(255,362)	777	(354,046)	(322,942)	31,104	600	(1,415)	(2,015)
251,480	251,480	0	131,000	131,000	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
251,480	251,480	0	131,000	131,000	0	0	0	0
(4,659)	(3,882)	777	(223,046)	(191,942)	31,104	600	(1,415)	(2,015)
606,943	606,943	0	600,367	600,367	0	4,347	4,347	0
0	0	0	1,873	1,873	0	0	0	0
\$602,284	\$603,061	\$777	\$379,194	\$410,298	\$31,104	\$4,947	\$2,932	(\$2,015)

(continued)

Rolling Hills Local School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Similar Trust Funds (continued)
 For the Fiscal Year Ended June 30, 1999

	----- (Memorandum Only) -----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)

Revenues:			

Property and Other Taxes	\$5,017,980	\$5,017,980	\$0
Intergovernmental	7,827,071	7,819,034	(8,037)
Interest	280,000	278,508	(1,492)
Tuition and Fees	68,418	68,371	(47)
Rent	78,645	78,624	(21)
Extracurricular Activities	152,007	151,966	(41)
Gifts and Donations	10,361	8,302	(2,059)
Miscellaneous	108,265	108,188	(77)

Total Revenues	13,542,747	13,530,973	(11,774)

Expenditures:			

Current:			
Instruction:			
Regular	5,739,419	5,629,236	110,183
Special	997,624	989,075	8,549
Vocational	325,511	324,404	1,107
Adult/Continuing	4,992	4,992	0
Other	96,303	92,726	3,577
Support Services:			
Pupils	627,465	620,412	7,053
Instructional Staff	610,335	584,856	25,479
Board of Education	88,998	87,056	1,942
Administration	961,633	960,919	714
Fiscal	353,434	350,935	2,499
Operation and Maintenance of Plant	1,317,239	1,297,415	19,824
Pupil Transportation	794,672	787,078	7,594
Central	141,440	137,993	3,447
Non-Instructional Services	77,220	62,026	15,194
Extracurricular Activities	199,392	193,534	5,858
Capital Outlay	1,138,040	1,059,695	78,345
Debt Service:			
Principal Retirement	570,000	570,000	0
Interest and Fiscal Charges	383,205	383,205	0

Total Expenditures	14,426,922	14,135,557	291,365

Excess of Revenues Over (Under) Expenditures	(884,175)	(604,584)	279,591

Other Financing Sources:			

Transfers In	1,168,918	1,168,918	0
Proceeds from Sale of Fixed Assets	8,709	8,709	0
Transfers Out	(1,183,627)	(1,166,512)	17,115

Total Other Financing Sources/(Uses)	(6,000)	11,115	17,115

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(890,175)	(593,469)	296,706

Fund Balances at Beginning of Year	3,821,298	3,821,298	0
Prior Year Encumbrances Appropriated	476,428	476,428	0

Fund Balances at End of Year	\$3,407,551	\$3,704,257	\$296,706
	=====		

See accompanying notes to the general purpose financial statement

Rolling Hills Local School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 All Proprietary Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Revenues (Governmental):				
Operating Revenues:				
Sales	\$347,371	\$0	\$0	\$347,371
Interest	0	0	310	310
Charges for Services	0	1,022,196	0	1,022,196
Other Revenues	2,747	0	0	2,747
Total Operating Revenue	350,118	1,022,196	310	1,372,624
Operating Expenses:				
Salaries	231,023	0	0	231,023
Fringe Benefits	97,022	0	0	97,022
Purchased Services	26,483	111,142	0	137,625
Materials and Supplies	19,352	0	0	19,352
Cost of Sales	306,658	0	0	306,658
Depreciation	18,042	0	0	18,042
Claims	0	958,156	0	958,156
Total Operating Expenses	698,580	1,069,300	0	1,767,880
Operating Income (Loss)	(348,462)	(47,104)	310	(395,256)
Non-Operating Revenues/Expenses:				
Federal Donated Commodities	46,894	0	0	46,894
Operating Grants	265,959	0	0	265,959
Loss on Sale of Fixed Assets	(2,229)	0	0	(2,229)
Interest	2,073	27,049	0	29,122
Total Non-Operating Revenues/Expenses:	312,697	27,049	0	339,746
Net Income (Loss)	(35,765)	(20,055)	310	(55,510)
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	(173,736)	318,448	5,055	149,767
Retained Earnings/Fund Balance (Deficit) at End of Year	(209,501)	298,393	5,365	94,257
Contributed Capital at Beginning and End of Year	515,337	0	0	515,337
Total Fund Equity at End of Year	\$305,836	\$298,393	\$5,365	\$609,594

See accompanying notes to the general purpose financial statements

Rolling Hills Local School District, Ohio
 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, 1999

	----- P r o p r i e t a r y ----- ----- Enterprise Funds -----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
	-----	-----	-----
Revenues:			

Sales	\$347,381	\$347,371	(\$10)
Charges for Services	0	0	0
Other Revenues	2,950	2,747	(203)
Interest	0	0	0
-----	-----	-----	-----
Total Revenues	350,331	350,118	(213)
-----	-----	-----	-----
Expenses:			

Salaries	226,543	226,433	110
Fringe Benefits	107,461	107,122	339
Purchased Services	37,970	27,531	10,439
Materials and Supplies	313,750	277,023	36,727
Capital Outlay	15,000	1,868	13,132
Other	1,600	1,415	185
-----	-----	-----	-----
Total Expenses	702,324	641,392	60,932
-----	-----	-----	-----
Excess of Revenues Over (Under) Expenses	(351,993)	(291,274)	60,719
-----	-----	-----	-----
Non-Operating Revenues:			
Interest	1,500	2,074	574
Federal and State Subsidies	218,678	218,677	(1)
-----	-----	-----	-----
Total Non-Operating Revenues	220,178	220,751	573
-----	-----	-----	-----
Excess Revenues and Other Non-Operating Revenues Over/Under Expenses	(131,815)	(70,523)	61,292
-----	-----	-----	-----
Fund Equity at Beginning of Year	221,990	221,990	0
-----	-----	-----	-----
Prior Year Encumbrances Appropriated	3,620	3,620	0
-----	-----	-----	-----
Fund Equity at End of Year	\$93,795	\$155,087	\$61,292
=====	=====	=====	=====

See accompanying notes to the general purpose financial statements

Fund Types -----			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
1,022,196	1,022,196	0	0	0	0
0	0	0	0	0	0
0	0	0	500	310	(190)
1,022,196	1,022,196	0	500	310	(190)
0	0	0	0	0	0
0	0	0	0	0	0
111,272	111,142	130	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,055,650	1,055,640	10	300	0	300
1,166,922	1,166,782	140	300	0	300
(144,726)	(144,586)	140	200	310	110
27,049	27,049	0	0	0	0
0	0	0	0	0	0
27,049	27,049	0	0	0	0
(117,677)	(117,537)	140	200	310	110
484,141	484,141	0	5,054	5,054	0
0	0	0	0	0	0
\$366,464	\$366,604	\$140	\$5,254	\$5,364	\$110

(continued)

Rolling Hills Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual (continued)
 All Proprietary Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	Totals		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
----- (Memorandum Only) -----			
Revenues:			

Sales	\$347,381	\$347,371	(\$10)
Charges for Services	1,022,196	1,022,196	0
Other Revenues	2,950	2,747	(203)
Interest	500	310	(190)
-----	-----	-----	-----
Total Revenues	1,373,027	1,372,624	(403)
-----	-----	-----	-----
Expenses:			

Salaries	226,543	226,433	110
Fringe Benefits	107,461	107,122	339
Purchased Services	149,242	138,673	10,569
Materials and Supplies	313,750	277,023	36,727
Capital Outlay	15,000	1,868	13,132
Other	1,057,550	1,057,055	495
-----	-----	-----	-----
Total Expenses	1,869,546	1,808,174	61,372
-----	-----	-----	-----
Excess of Revenues Over (Under) Expenses	(496,519)	(435,550)	60,969
Non-Operating Revenues:			
Interest	28,549	29,123	574
Federal and State Subsidies	218,678	218,677	(1)
-----	-----	-----	-----
Total Non-Operating Revenues	247,227	247,800	573
-----	-----	-----	-----
Excess Revenues and Other Non-Operating Revenues Over/Under Expenses	(249,292)	(187,750)	61,542
-----	-----	-----	-----
Fund Equity at Beginning of Year	711,185	711,185	0
Prior Year Encumbrances Appropriated	3,620	3,620	0
-----	-----	-----	-----
Fund Equity at End of Year	\$465,513	\$527,055	\$61,542
=====	=====	=====	=====

See accompanying notes to the general purpose financial statements

Rolling Hills Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents:				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	347,371	0	0	347,371
Cash Received from Quasi-External Cash Transactions	0	1,022,196	0	1,022,196
Cash Received from Interest	0	0	310	310
Cash Received From Other Operating Sources	2,747	0	0	2,747
Cash Payments to Suppliers for Goods and Services	(303,507)	(111,142)	0	(414,649)
Cash Payments to Employees for Services	(226,433)	0	0	(226,433)
Cash Payments for Employee Benefits	(107,122)	0	0	(107,122)
Cash Payments for Claims	0	(1,055,640)	0	(1,055,640)
Cash Payments for Other Expenses	(1,415)	0	0	(1,415)
Net Cash Used in Operating Activities	(288,359)	(144,586)	310	(432,635)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	218,677	0	0	218,677
Net Cash Provided by Noncapital Financing Activities	218,677	0	0	218,677
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Payments for Capital Acquisitions	(1,868)	0	0	(1,868)
Net Cash Used for Capital and Related Financing Activities	(1,868)	0	0	(1,868)
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	2,074	27,049	0	29,123
Purchase of Investments	0	0	(310)	(310)
Net Cash Provided by Investing Activities	2,074	27,049	(310)	28,813
Net Increase (Decrease) in Cash and Cash Equivalents	(69,476)	(117,537)	0	(187,013)
Cash and Cash Equivalents at Beginning of Year	225,611	484,142	0	709,753
Cash and Cash Equivalents at End of Year	156,135	366,605	0	522,740

(continued)

Rolling Hills Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Non-</u> <u>Expendable</u> <u>Trust</u>	<u>(Memorandum</u> <u>Only)</u>
<u>Reconciliation of Operating Income (Loss) to</u>				
<u>Net Cash Provided (Used for) Operating Activities:</u>				
Operating Income (Loss)	(348,462)	(47,104)	310	(395,256)
<u>Adjustments to Reconcile Operating Income (Loss) to</u>				
<u>Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation	18,042	0	0	18,042
Donated Commodities Used During Year	46,894	0	0	46,894
<u>Changes in Assets and Liabilities:</u>				
Decrease in Inventory Held for Resale	798	0	0	798
Decrease in Materials and Supplies Inventory	471	0	0	471
Increase in Accrued Wages	2,991	0	0	2,991
Increase in Compensated Absences Payable	339	0	0	339
Decrease in Intergovernmental Payable	(8,840)	0	0	(8,840)
Decrease in Claims Payable	0	(97,482)	0	(97,482)
Decrease in Deferred Revenue	(592)	0	0	(592)
Total Adjustments	60,103	(97,482)	0	(37,379)
Net Cash Used In/Provided by Operating Activities	(288,359)	(144,586)	310	(432,635)
<u>Reconciliation:</u>				
Cash and Cash Equivalents - All Fiduciary Funds		31,383		
Cash and Cash Equivalents - Agency Funds		(28,451)		
Cash and Cash Equivalents - All Expendable Trust Funds		(2,932)		
Cash and Cash Equivalents - All Non-Expendable Trust Funds		0		

See accompanying notes to the general purpose financial statements

Rolling Hills Local School District

Notes to the General Purpose Financial Statements

June 30, 1999

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 89 classified, and 138 certificated full time teaching personnel, and 14 administrative employees who provide services to 2226 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.

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:

Rolling Hills Local School District

Notes to the General Purpose Financial Statements

June 30, 1999

Village of Byesville

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

Guernsey – Monroe – Noble Educational Service Center

East Central Ohio – Special Education Regional Resource Center (ECO-SERCC)

The School District is associated with five organizations, which are defined as jointly governed organizations and group-purchasing pools. These organizations include the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the Mid-East Ohio Vocational School District, the OME-RESA Self Insurance Program, 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 expendable available 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 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 Funds - 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.

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

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.

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.

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

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 fiscal year-end.

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, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 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.

Rolling Hills Local School District

Notes to the General Purpose Financial Statements

June 30, 1999

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 fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 1999. 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.

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 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 reappropriated.

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

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.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (Star Ohio) during fiscal year 1999. 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, 1999.

During fiscal year 1999, investments were limited to a certificate of deposit. The nonnegotiable certificate of deposit is reported at cost.

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 1999 amounted to \$277,016 which includes \$181,160 assigned from other School District funds.

The School District participates in the OME-RESA insurance consortium for self insurance. This results in monies held separate from the School District's central bank account by the consortium. These monies are reflected in the School District's financial statements as "cash with fiscal agents".

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 are reported as investments. During the fiscal school year, the School District had one investment in the Bessie Sarchet Non-Expendable Trust Fund in the form of a twenty-four 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, 1999, 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

Notes to the General Purpose Financial Statements
June 30, 1999

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 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

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Brook Partners 2000
Classroom Facilities Maintenance
Disadvantaged Pupil Impact Aid
Drug Free Schools (Title IV)
Education Management Information System
Eisenhower Mathematics & Science Education Grant
Goals 2000 Federal Grant
Ohio Partnership 2000 Grant
Secret Partnership 2000
State Grant-Textbooks/Materials
Teacher Development
Title I
Title VI
Title VI-B
Continuous Improvement Federal Grant
Textbook Subsidy Grant

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

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

FEMA

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 59% of the School District's governmental fund revenue during the 1999 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 certified, administrative, and 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

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
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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.

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 tax and revenue anticipation notes. 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. Operating transfer-in are greater than operating transfers-out in the amount of \$2,407 for operating transfers from Agency Funds.

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

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

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, endowment, property taxes, and budget stabilization.

The reserve for endowment is for the portion of the 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 budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

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.

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits:

Fund balance at June 30, 1999, included the following individual fund deficit:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Title VI-B	(\$7,213)
Title I	(60,965)
Capital Projects Fund:	
Permanent Improvements Fund	(62,049)
Expendable Trust Fund:	
Ashley Ramage Scholarship Fund	(2,000)
Enterprise Fund:	
Food Service Fund	(209,501)

Deficit balances in the Title VI-B and Title I Special Revenue Funds, Permanent Improvement Capital Projects Fund, and Ashley Ramage Scholarship Expendable Trust Fund resulted from recognition of payables in accordance with 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.

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, 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).
5. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) rather than in the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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Notes to the General Purpose Financial Statements
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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 Expendable Trust Funds				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$17,965	\$149,444	\$(8,660)	\$24,558	\$(1,215)
Net Adjustment For Revenue Accruals	62,428	(249,001)	4,778	200,478	0
Net Adjustment For Expenditure Accruals	65,701	6,075	0	(138,591)	(200)
Encumbrances	(301,274)	(147,568)	0	(178,387)	0
Debt Principal	0	0	(100,000)	0	0
Interest & Fiscal	0	0	(36,400)	36,400	0
Transfers - In	<u>0</u>	<u>0</u>	<u>136,400</u>	<u>(136,400)</u>	<u>0</u>
Budget Basis	<u>(\$155,180)</u>	<u>(\$241,050)</u>	<u>(\$3,882)</u>	<u>(\$191,942)</u>	<u>(\$1,415)</u>

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

	Net Income (Loss)/Excess of Revenues and Other Non-Operating Revenues 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	\$(35,765)	(\$20,055)	\$310
Net Adjustment for Revenue Accruals	(94,175)	0	0
Loss on Sale of Fixed Asset	2,229	0	0
Net Adjustment for Expenditure Accruals	40,195	(97,482)	0
Encumbrances	(1,049)	0	0
Depreciation	<u>18,042</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$(70,523)</u>	<u>\$(117,537)</u>	<u>\$310</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.

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

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 obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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 (STAR Ohio); and

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
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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 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 \$2,672,652 and the bank balance was \$2,758,688. The full amount of the bank balance 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, 1999 was \$1,848,786.

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. A reconciliation between the classifications of cash equivalents and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$4,516,073	\$5,365..
Certificate of Deposit	5,365	(5,365)
Star Ohio	<u>(1,848,786)</u>	<u>1,848,786</u>
GASB Statement 3	<u>\$2,672,652</u>	<u>\$1,848,786</u>

At June 30, 1999, the School District's internal service fund had a balance of \$366,605 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

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 35% of appraised market value. All property is required to be revalued every 6 years. Public utility property taxes are assessed on tangible personal property at 100% of true value (with certain exceptions) and on real property at 35% 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 25 % of true value for both 1998 and 1999. The assessed values upon which the fiscal year 1999 taxes were collected are:

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
June 30, 1999

	1998 Second- Half Collections		1999 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate and Public Utility Personal	\$99,339,300	66.0%	\$99,849,620	63.8%
Tangible Personal Property	<u>50,929,990</u>	<u>34.0%</u>	<u>56,725,670</u>	<u>36.2%</u>
Total	<u>\$150,269,290</u>	<u>100.0%</u>	<u>\$156,575,290</u>	<u>100.0%</u>
Tax rate per \$1,000 of .35 assessed valuation	\$36.84		\$36.04	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 20; if paid semi-annually, the first payment is due February 20 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, Noble and Muskingum Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 1998 is available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. 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 is recognized as revenue. At June 30, 1999, the amounts available as advances were \$733,499 in the General Fund, \$345,752

Rolling Hills Local School District

Notes to the General Purpose Financial Statements

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in the Special Revenue Funds, and \$170,168 in the Debt Service Fund. At June 30, 1998, the amounts available as advances were \$794,178 in the General Fund, \$385,632 was available to the Emergency Levy Fund, and \$174,946 was available to the Debt Service Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 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:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Tuscarawas Ed. Service Center	\$ 1,923
Drivers Education	150
Miscellaneous Intergovernmental	<u>9,628</u>
Total General Fund	11,701
Special Revenue:	
FEMA Grant	289,526
Beech Grove Center	<u>3,150</u>
Total Special Revenue:	292,676
Enterprise Fund: Food Service	<u>47,282</u>
Grand Total	<u>\$ 351,659</u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Machinery and Equipment	\$493,008
Less accumulated depreciation	<u>(315,413)</u>
Net Fixed Assets	<u>\$177,595</u>

Rolling Hills Local School District

Notes to the General Purpose Financial Statements
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A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<u>Balance</u> <u>June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1999</u>
Land & Improvements	\$635,649	\$12,156	\$8,387	\$639,418
Buildings & Building Improvements	15,901,002	564,413	283,663	16,181,752
Machinery, Equipment, Furniture & Fixtures	3,179,324	256,523	103,054	3,332,793
Vehicles	<u>1,241,730</u>	<u>57,139</u>	<u>89,808</u>	<u>1,209,061</u>
Total	<u>\$20,957,705</u>	<u>\$890,231</u>	<u>\$484,912</u>	<u>\$21,363,024</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 1999 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 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its

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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, Self-Funded Plans, Inc., located in Cleveland, Ohio, reviews all claims that are then paid by the School District. The School District purchases stop-loss coverage of \$50,000 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 \$40.47 monthly for both family and 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 third party administrator, Self-Funded Plans, Inc. of Cleveland, Ohio reviews all claims, which are then paid by the School District. The premium for this coverage is \$45.71 monthly for single coverage and \$81.38 for family coverage.

The claims liability of \$68,212 reported in the Self Insurance Internal Service Fund at June 30, 1999 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 of 1998 and 1999 were (\$97,482).

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Notes to the General Purpose Financial Statements
June 30, 1999

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1998	\$263,511	\$856,303	\$954,120	\$165,694
1999	\$165,694	\$958,158	\$1,055,640	\$68,212

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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was 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, 1999, 1998, and 1997 were \$261,620, 248,288, and \$237,518, respectively; 40.0 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$159,743 representing the unpaid contribution for fiscal year 1999, 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, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. 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, 1999, 1998, and 1997 were \$741,267, \$716,100, and \$696,169 respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$131,444 represents the unpaid contribution for fiscal year 1999 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, 1999 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

Rolling Hills Local School District

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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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$423,581 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, 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 1999 fiscal year equaled \$117,729.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 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 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, 1999 are \$700,800 including interest of \$100,800.

<u>Fiscal</u> <u>Year</u>	<u>1994</u> <u>Energy Conservation</u>
2000	130,800
2001	125,200
2002	119,600
2003	114,000
2004	108,400
2005	<u>102,800</u>
Total	<u>\$700,800</u>

NOTE 14 - LONG TERM OBLIGATIONS

Long term obligations of the School District as of June 30, 1999 were as follows:

	<u>Outstanding</u> 6/30/98	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> 6/30/99
<u>General Obligation</u>				
<u>Bonds:</u>				
School Facilities				..
Improvements-1985 (9.0% Interest Rate)	\$3,575,000	\$0	\$325,000	\$3,250,000
Energy Conservation 1993 Loan (6.2% Interest Rate)	640,000	0	145,000	495,000
Long-Term Pension Obligations	86,322	98,417	86,322	98,417
Compensated Absences	<u>579,902</u>	<u>284,369</u>	<u>226,479</u>	<u>637,792</u>
Grand Total General Obligations Debt	<u>\$4,881,224</u>	<u>\$382,786</u>	<u>\$782,801</u>	<u>\$4,481,209</u>

The School District's voted legal debt margin was \$14,140,449 with an unvoted debt margin of \$157,116 at June 30, 1999.

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, 1999 including interest of \$1,462,500 for School Facilities Improvements and \$62,620 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>
2000	602,875	185,690	788,565
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
2004-2008	<u>1,990,625</u>	<u>0</u>	<u>1,990,625</u>
Total	<u>\$4,712,500</u>	<u>\$ 557,620</u>	<u>\$ 5,270,120</u>

Rolling Hills Local School District has fulfilled the requirements by the Ohio School Facilities Commission (OSFC) that eliminates the repayment of the classroom facilities debt. The District passed a resolution which was submitted to the Ohio School Facilities Commission. Approval was granted by the Commission allowing the District to return the ½ mill levy proceeds. The levy proceeds are receipted into the Classroom Facilities Maintenance Fund to be used for the maintenance of the District's facilities. The approval was granted due to the District's assessed values falling below the median for all districts in the State. Should the District's assessed values increase, and fall above the median, repayment to the commission would be required. Based on the current assessed valuation ranking, the potential for future repayment is deemed remote.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. OHIO MID-EASTERN REGIONAL EDUCATIONAL 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. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

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. CLAIMS SERVICING POOL

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

C. 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 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 Ohio General Assembly 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, 1999, the School District received \$5,901,466 of school foundation support for its general fund.

In addition, the court declared the classroom facilities program unconstitutional. 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 Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to 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. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common

Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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 operations.

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, 1999.

B. Litigations:

The Rolling Hills Local School District is currently party to litigation. The outcome of these suits will not have a material effect on the financial statements of the Rolling Hills Local School District.

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 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.

Notes to the General Purpose Financial Statements
 June 30, 1999

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance				
As of June 30, 1998	\$0	\$0	\$64,996	-----
Current Year Set- Aside Requirement	170,406	170,406	85,203	-----
Current Year Offsets Qualifying	(32,226)	(165,565)	0	-----
Disbursements	<u>(163,611)</u>	<u>(65,549)</u>	<u>0</u>	-----
Total	<u>(25,431)</u>	<u>(60,708)</u>	<u>150,199</u>	-----
Cash Balance Carried Forward to FY 1999	<u>0</u>	<u>0</u>	<u>150,199</u>	<u>150,199</u>
Total Restricted Assets				<u>\$150,199</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 20 - YEAR 2000

The Year 2000 issue is a result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Rolling Hills Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, educational statistical reporting (through the State's Education Management Information System (EMIS)), and various programs utilized on School District desktop computers.

The financial reporting and payroll systems are handled by an external organization (OME-RESA). OME-RESA is responsible for remediating these systems. OME-RESA reports that it has tested, validated, and remediated the Year 2000 issue. Further, the State processed a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Notes to the General Purpose Financial Statements

June 30, 1999

Guernsey, Noble, and Muskingum Counties collect property taxes for distribution to the School District. Guernsey, Noble, and Muskingum Counties are responsible for remediating their tax collection systems.

The School District's debt is currently being serviced by Cambridge Savings Bank. As of the date of these financial statements, the District has not received a response from Cambridge Savings Bank concerning the Year 2000 issue.

The District utilizes an outside company, Johnson Controls, to provide temperature control services in the District's two buildings. As of the date of this report, Johnson Controls has indicated that they are Year 2000 compliant and that the District's hardware and software utilized for temperature control are also Year 2000 compliant.

The District's financial institution includes Cambridge Savings Bank and STAR Ohio, the Treasurer of the State of Ohio's investment pool. As of the date of these financial statements, the District has not received a response from Cambridge Savings Bank concerning the Year 2000 issue. The Treasurer of the State of Ohio is responsible for remediating its investment system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed-Through State Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$46,894	\$0	\$46,894
School Breakfast Program	047308-05-PU-98/99	10.553	44,346	0	44,346	0
National School Lunch Program	047308-03/04-PU-98/99	10.555	158,728	0	158,728	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			203,074	46,894	203,074	46,894
U.S. Department of Labor						
<i>Passed-Through State Department of Education:</i>						
School To Work Grant	047308-WK-BE-98	17.249	10,000	0	0	0
Total U.S. Department of Labor			10,000	0	0	0
Federal Emergency Management Agency						
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency:</i>						
Public Assistance Grants	N/A	83.544	46,480	0	46,480	0
Total Federal Emergency Management Agency			46,480	0	46,480	0
U.S. Department of Education						
<i>Passed-Through State Department of Education:</i>						
Title I Grants to Local Educational Agencies	047308-C1-S1-98/99	84.010	459,949	0	446,241	0
Special Education Grants to States (Title VI-B)	047308-6B-SF-98/99	84.027	71,446	0	79,120	0
Safe and Drug Free Schools	047308-DR-S1-98/99	84.186	12,117	0	11,238	0
Capital Expenses	047308-CX-S1-97	84.216	0	0	4,254	0
Goals 2000	047308-G2-S2-97/98	84.276	0	0	11,597	0
Eisenhower Professional Development State Grants	047308-MS-S1-98/99	84.281	12,815	0	7,643	0
Innovative Education Program Strategies (Title VI)	047308-C2-S1-98/99	84.298	8,823	0	4,641	0
Total U.S. Department of Education			565,150	0	564,734	0
Total Federal Awards Receipts and Expenditures			\$824,704	\$46,894	\$814,288	\$46,894

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures 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, 1999, the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
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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, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 20, 2000. 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 Rolling Hills Local School District in a separate letter dated January 20, 2000.

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.

This report is intended for the information and use of the audit committee, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the printed name and title.

Jim Petro
Auditor of State

January 20, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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**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, (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, 1999. 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, 1999.

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.

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 audit committee, 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 20, 2000

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITORS' 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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

**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.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-11030-001	Ohio Rev. Code Section 5705.412 - The School District did not attach "412" certificates to fiscal year 1998 appropriation measures, negotiated agreements or contracts.	Yes	No Longer Valid. The School District started completing 412 certificates for all required items at the start of fiscal year 1999.



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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.

By: *Susan Babbitt*
Clerk of the Bureau

Date: FEB 24 2000