



**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001, 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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 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. We subjected this information 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

November 30, 2001

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Rolling Hills Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,768,384	\$515,514	\$691,534	\$648,806
Investments	0	0	0	0
Receivables:				
Property and Other Taxes	3,468,938	1,512,538	637,082	0
Accounts	5,187	1,000	0	0
Intergovernmental	78,419	35,817	0	0
Accrued Interest	15,877	0	0	0
Prepaid Items	109,156	50,737	0	0
Restricted Assets:				
Equity in Pooled Cash and Equivalents	80,597	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	153,239	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	\$5,679,797	\$2,115,606	\$1,328,616	\$648,806

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$69,041	\$213,306	\$32,708	\$0	\$0	\$3,939,293
0	0	6,226	0	0	6,226
0	0	0	0	0	5,618,558
0	0	0	0	0	6,187
32,778	0	0	0	0	147,014
0	0	0	0	0	15,877
8,034	0	0	0	0	167,927
0	0	0	0	0	80,597
11,107	0	0	0	0	11,107
3,178	0	0	0	0	156,417
142,779	0	0	22,231,427	0	22,374,206
0	0	0	0	842,285	842,285
0	0	0	0	2,710,965	2,710,965
<u>\$266,917</u>	<u>\$213,306</u>	<u>\$38,934</u>	<u>\$22,231,427</u>	<u>\$3,553,250</u>	<u>\$36,076,659</u>

(continued)

Rolling Hills Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (continued)
 June 30, 2001

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$87,206	\$4,884	\$0	\$8,645
Accrued Wages and Benefits	1,110,935	406,703	0	0
Compensated Absences Payable	8,101	1,231	0	0
Long Term Comp Absences Payable	0	0	0	0
Intergovernmental Payable	182,227	78,197	0	3,661
Deferred Revenue	2,675,150	1,190,496	486,331	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	400,000
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	4,063,619	1,681,511	486,331	412,306
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	136,175	21,332	0	52,852
Reserved for Inventory	153,239	0	0	0
Reserved for Property Taxes	793,788	331,558	150,751	0
Reserved for Bus Purchases	7,149	0	0	0
Reserved for Budget Stabilization	67,981	0	0	0
Reserved for Capital Improvements	5,467	0	0	0
Reserved for Endowments	0	0	0	0
Unreserved: Undesignated	452,379	81,205	691,534	183,648
Total Fund Equity and Other Credits	1,616,178	434,095	842,285	236,500
Total Liabilities, Fund Equity and Other Credits	\$5,679,797	\$2,115,606	\$1,328,616	\$648,806

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	
\$6,143	\$0	\$500	\$0	\$0	\$107,378
53,234	0	0	0	0	1,570,872
0	0	0	0	0	9,332
5,228	0	0	0	677,904	683,132
23,125	0	0	0	100,346	387,556
7,289	0	0	0	0	4,359,266
0	0	19,888	0	0	19,888
0	0	4,172	0	0	4,172
0	241,500	0	0	0	241,500
0	0	0	0	175,000	575,000
0	0	0	0	2,600,000	2,600,000
<u>95,019</u>	<u>241,500</u>	<u>24,560</u>	<u>0</u>	<u>3,553,250</u>	<u>10,558,096</u>
0	0	0	22,231,427	0	22,231,427
519,379	0	0	0	0	519,379
(347,481)	(28,194)	6,102	0	0	(369,573)
0	0	0	0	0	210,359
0	0	0	0	0	153,239
0	0	0	0	0	1,276,097
0	0	0	0	0	7,149
0	0	0	0	0	67,981
0	0	0	0	0	5,467
0	0	5,000	0	0	5,000
0	0	3,272	0	0	1,412,038
<u>171,898</u>	<u>(28,194)</u>	<u>14,374</u>	<u>22,231,427</u>	<u>0</u>	<u>25,518,563</u>
<u>\$266,917</u>	<u>\$213,306</u>	<u>\$38,934</u>	<u>\$22,231,427</u>	<u>\$3,553,250</u>	<u>\$36,076,659</u>

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, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and Other Taxes	\$3,344,872	\$1,433,949	\$672,789	\$0
Intergovernmental	6,987,079	1,143,368	51,762	63,249
Interest	297,511	0	0	0
Tuition and Fees	85,815	0	0	0
Rent	3,070	98,107	0	0
Extracurricular Activities	0	168,002	0	0
Gifts and Donations	0	472	0	3,975
Miscellaneous	233,445	4,569	0	5,000
Total Revenues	10,951,792	2,848,467	724,551	72,224
Expenditures:				
Current:				
Instruction:				
Regular	4,364,609	1,841,183	0	93,950
Special	797,429	404,573	0	0
Vocational	323,821	30,000	0	0
Adult/Continuing	5,818	0	0	0
Other	337,589	0	0	0
Support Services:				
Pupils	578,545	144,078	0	0
Instructional Staff	537,409	313,642	0	75
Board of Education	53,902	0	0	0
Administration	1,034,502	18,890	0	0
Fiscal	417,750	31,231	18,838	0
Operation and Maintenance of Plant	1,276,609	122,773	0	12,550
Pupil Transportation	814,389	0	0	0
Central	67,996	9,064	0	4,042
Non-Instructional Services	0	38,712	0	0
Extracurricular Activities	17,269	186,537	0	0
Capital Outlay	46,587	69,581	0	69,708
Debt Service:				
Principal Retirement	0	0	490,000	0
Interest and Fiscal Charges	0	0	269,705	25,200
Total Expenditures	10,674,224	3,210,264	778,543	205,525
Excess of Revenues Over (Under) Expenditures	277,568	(361,797)	(53,992)	(133,301)
Other Financing Sources (Uses):				
Operating Transfers - In	136,000	498,000	122,080	126,200
Operating Transfers - Out	(746,280)	0	0	0
Advances In	0	4,000	0	0
Advances Out	(4,000)	0	0	0
Total Other Financing Sources	(614,280)	502,000	122,080	126,200
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(336,712)	140,203	68,088	(7,101)
Fund Balances (Deficit) at Beginning of Year	1,910,456	293,892	774,197	243,601
Increase in Reserve for Inventory	42,434	0	0	0
Fund Balances at End of Year	\$1,616,178	\$434,095	\$842,285	\$236,500

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$5,451,610
0	8,245,458
0	297,511
0	85,815
0	101,177
0	168,002
2,500	6,947
0	243,014
<u>2,500</u>	<u>14,599,534</u>
2,400	6,302,142
0	1,202,002
0	353,821
0	5,818
0	337,589
0	722,623
0	851,126
0	53,902
0	1,053,392
0	467,819
0	1,411,932
0	814,389
0	81,102
0	38,712
0	203,806
0	185,876
0	490,000
0	294,905
<u>2,400</u>	<u>14,870,956</u>
100	(271,422)
0	882,280
0	(746,280)
0	4,000
0	(4,000)
<u>0</u>	<u>136,000</u>
100	(135,422)
3,172	3,225,318
0	42,434
<u>\$3,272</u>	<u>\$3,132,330</u>

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, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$3,241,106	\$3,241,139	33	\$1,410,809	\$1,410,832	\$23
Intergovernmental	6,933,074	6,923,649	(9,425)	1,180,920	1,154,322	(26,598)
Interest	303,830	308,410	4,580	0	0	0
Tuition and Fees	89,770	89,106	(664)	0	0	0
Rent	3,070	3,070	0	96,680	98,107	1,427
Extracurricular Activities	0	0	0	167,869	168,002	133
Gifts and Donations	0	0	0	505	472	(33)
Miscellaneous	243,330	233,319	(10,011)	4,429	4,320	(109)
Total Revenues	10,814,180	10,798,693	(15,487)	2,861,212	2,836,055	(25,157)
Expenditures:						
Current:						
Instruction:						
Regular	4,387,547	4,388,343	(796)	1,929,732	1,869,414	60,318
Special	792,910	787,007	5,903	480,381	403,032	77,349
Vocational	320,586	322,356	(1,770)	30,000	4,601	25,399
Adult/Continuing	5,818	5,818	0	0	0	0
Other	340,294	337,589	2,705	0	0	0
Support Services:						
Pupils	589,760	589,824	(64)	191,973	146,968	45,005
Instructional Staff	530,693	523,072	7,621	378,381	335,094	43,287
Board of Education	93,646	60,012	33,634	0	0	0
Administration	1,073,852	1,074,162	(310)	25,608	19,500	6,108
Fiscal	416,529	413,702	2,827	31,784	31,232	552
Operation and Maintenance of Plant	1,354,307	1,330,270	24,037	129,052	121,492	7,560
Pupil Transportation	856,131	851,824	4,307	0	0	0
Central	86,674	85,276	1,398	12,661	10,984	1,677
Non-Instructional Services	0	0	0	65,879	43,325	22,554
Extracurricular Activities	23,381	18,643	4,738	219,041	194,120	24,921
Capital Outlay	212,260	75,482	136,778	70,000	69,581	419
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	11,084,388	10,863,380	221,008	3,564,492	3,249,343	315,149
Excess of Revenues Over (Under) Expenditures	(270,208)	(64,687)	205,521	(703,280)	(413,288)	289,992
Other Financing Sources (Uses):						
Transfers In	136,000	136,000	0	498,000	498,000	0
Transfers Out	(754,632)	(746,280)	8,352	0	0	0
Advances In	0	0	0	4,000	4,000	0
Advances Out	(4,000)	(4,000)	0	0	0	0
Total Other Financing Sources/(Uses)	(622,632)	(614,280)	8,352	502,000	502,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(892,840)	(678,967)	213,873	(201,280)	88,712	289,992
Fund Balances at Beginning of Year	2,087,668	2,087,668	0	366,288	366,288	0
Prior Year Encumbrances Appropriated	267,259	267,258	(1)	36,444	36,444	0
Fund Balances at End of Year	\$1,462,087	\$1,675,959	\$213,872	\$201,452	\$491,444	\$289,992

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, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$3,241,106	\$3,241,139	33	\$1,410,809	\$1,410,832	\$23
Intergovernmental	6,933,074	6,923,649	(9,425)	1,180,920	1,154,322	(26,598)
Interest	303,830	308,410	4,580	0	0	0
Tuition and Fees	89,770	89,106	(664)	0	0	0
Rent	3,070	3,070	0	96,680	98,107	1,427
Extracurricular Activities	0	0	0	167,869	168,002	133
Gifts and Donations	0	0	0	505	472	(33)
Miscellaneous	243,330	233,319	(10,011)	4,429	4,320	(109)
Total Revenues	10,814,180	10,798,693	(15,487)	2,861,212	2,836,055	(25,157)
Expenditures:						
Current:						
Instruction:						
Regular	4,387,547	4,388,343	(796)	1,929,732	1,869,414	60,318
Special	792,910	787,007	5,903	480,381	403,032	77,349
Vocational	320,586	322,356	(1,770)	30,000	4,601	25,399
Adult/Continuing	5,818	5,818	0	0	0	0
Other	340,294	337,589	2,705	0	0	0
Support Services:						
Pupils	589,760	589,824	(64)	191,973	146,968	45,005
Instructional Staff	530,693	523,072	7,621	378,381	335,094	43,287
Board of Education	93,646	60,012	33,634	0	0	0
Administration	1,073,852	1,074,162	(310)	25,608	19,500	6,108
Fiscal	416,529	413,702	2,827	31,784	31,232	552
Operation and Maintenance of Plant	1,354,307	1,330,270	24,037	129,052	121,492	7,560
Pupil Transportation	856,131	851,824	4,307	0	0	0
Central	86,674	85,276	1,398	12,661	10,984	1,677
Non-Instructional Services	0	0	0	65,879	43,325	22,554
Extracurricular Activities	23,381	18,643	4,738	219,041	194,120	24,921
Capital Outlay	212,260	75,482	136,778	70,000	69,581	419
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	11,084,388	10,863,380	221,008	3,564,492	3,249,343	315,149
Excess of Revenues Over (Under) Expenditures	(270,208)	(64,687)	205,521	(703,280)	(413,288)	289,992
Other Financing Sources (Uses):						
Transfers In	136,000	136,000	0	498,000	498,000	0
Transfers Out	(754,632)	(746,280)	8,352	0	0	0
Advances In	0	0	0	4,000	4,000	0
Advances Out	(4,000)	(4,000)	0	0	0	0
Total Other Financing Sources/(Uses)	(622,632)	(614,280)	8,352	502,000	502,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(892,840)	(678,967)	213,873	(201,280)	88,712	289,992
Fund Balances at Beginning of Year	2,087,668	2,087,668	0	366,288	366,288	0
Prior Year Encumbrances Appropriated	267,259	267,258	(1)	36,444	36,444	0
Fund Balances at End of Year	\$1,462,087	\$1,675,959	\$213,872	\$201,452	\$491,444	\$289,992

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, 2001

	Totals		
	(Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Taxes	\$5,325,757	\$5,325,815	\$58
Intergovernmental	8,313,929	8,277,982	(35,947)
Interest	303,830	308,410	4,580
Tuition and Fees	89,770	89,106	(664)
Rent	99,750	101,177	1,427
Extracurricular Activities	167,869	168,002	133
Gifts and Donations	7,205	6,947	(258)
Miscellaneous	255,259	242,639	(12,620)
Total Revenues	14,563,369	14,520,078	(43,291)
Expenditures:			
Current:			
Instruction:			
Regular	6,414,393	6,354,871	59,522
Special	1,273,291	1,190,039	83,252
Vocational	350,586	326,957	23,629
Adult/Continuing	5,818	5,818	0
Other	340,294	337,589	2,705
Support Services:			
Pupils	821,233	774,899	46,334
Instructional Staff	909,149	858,241	50,908
Board of Education	93,646	60,012	33,634
Administration	1,099,460	1,093,662	5,798
Fiscal	467,263	463,772	3,491
Operation and Maintenance of Plant	1,498,359	1,466,462	31,897
Pupil Transportation	856,131	851,824	4,307
Central	124,435	111,347	13,088
Non-Instructional Services	65,879	43,325	22,554
Extracurricular Activities	242,422	212,763	29,659
Capital Outlay	376,652	216,021	160,631
Debt Service:			
Principal Retirement	590,000	590,000	0
Interest and Fiscal Charges	294,905	294,905	0
Total Expenditures	15,823,916	15,252,507	571,409
Excess of Revenues Over (Under) Expenditures	(1,260,547)	(732,429)	528,118
Other Financing Sources (Uses):			
Transfers In	882,280	882,280	0
Transfers Out	(754,632)	(746,280)	8,352
Advances In	4,000	4,000	0
Advances Out	(4,000)	(4,000)	0
Total Other Financing Sources/(Uses)	127,648	136,000	8,352
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,132,899)	(596,429)	536,470
Fund Balances at Beginning of Year	3,731,315	3,731,315	0
Prior Year Encumbrances Appropriated	311,009	311,008	(1)
Fund Balances at End of Year	\$2,909,425	\$3,445,894	\$536,469

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
 All Proprietary Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Operating Revenues:				
Sales	\$384,510	\$0	\$0	\$384,510
Interest	0	0	590	590
Charges for Services	0	2,028,898	0	2,028,898
Other Revenues	3,226	136,609	1,151	140,986
Total Operating Revenue	387,736	2,165,507	1,741	2,554,984
Operating Expenses:				
Salaries	251,613	0	0	251,613
Fringe Benefits	125,430	0	0	125,430
Purchased Services	37,992	273,519	0	311,511
Materials and Supplies	28,247	0	0	28,247
Cost of Sales	341,627	0	0	341,627
Depreciation	17,784	0	0	17,784
Claims	0	1,766,733	0	1,766,733
Scholarships	0	0	600	600
Total Operating Expenses	802,693	2,040,252	600	2,843,545
Operating Income (Loss)	(414,957)	125,255	1,141	(288,561)
Non-Operating Revenues/Expenses:				
Federal Donated Commodities	62,371	0	0	62,371
Operating Grants	281,563	0	0	281,563
Loss on Sale of Fixed Assets	(274)	0	0	(274)
Interest	2,787	18,270	0	21,057
Total Non-Operating Revenues/Expenses:	346,447	18,270	0	364,717
Net Income (Loss)	(68,510)	143,525	1,141	76,156
Operating Transfers-Out	0	(136,000)	0	(136,000)
Net Income (Loss) after Transfers	(68,510)	7,525	1,141	(59,844)
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	(278,971)	(35,719)	9,961	(304,729)
Retained Earnings (Deficit)/Fund Balance at End of Year	(347,481)	(28,194)	11,102	(364,573)
Contributed Capital at Beginning of Year	515,337	0	0	515,337
Capital Contributions During the Year	4,042	0	0	4,042
Contributed Capital at End of Year	519,379	0	0	519,379
Total Fund Equity (Deficit) at End of Year	\$171,898	(\$28,194)	\$11,102	\$154,806

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, 2001

	Proprietary Fund Type		
	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$384,559	\$384,510	(\$49)
Interest	0	0	0
Charges for Services	0	0	0
Other Revenues	3,227	3,226	(1)
Total Revenues	387,786	387,736	(50)
Expenses:			
Salaries	250,518	250,414	104
Fringe Benefits	134,308	136,485	(2,177)
Purchased Services	48,671	47,103	1,568
Materials and Supplies	350,379	309,848	40,531
Other	1,300	1,023	277
Total Expenses	785,176	744,873	40,303
Excess of Revenues Over (Under) Expenses	(397,390)	(357,137)	40,253
Non-Operating Revenues:			
Interest	4,500	2,787	(1,713)
Federal and State Subsidies	248,705	248,840	135
Total Non-Operating Revenues	253,205	251,627	(1,578)
Excess Revenues and Other Non-Operating Revenues Over/Under Expenses	(144,185)	(105,510)	38,675
Operating Transfers - Out	0	0	0
Excess of Revenues and Other Non-Operating Revenues Over(Under) Expenses and Other Financing Uses	(144,185)	(105,510)	38,675
Fund Equity at Beginning of Year	146,826	146,826	0
Prior Year Encumbrances Appropriated	14,221	14,221	0
Fund Equity at End of Year	\$16,862	\$55,537	\$38,675

Proprietary Fund Type			Fiduciary Fund Type		
Internal Service Funds			Nonexpendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	450	590	140
2,024,613	2,028,898	4,285	0	0	0
<u>136,609</u>	<u>136,609</u>	<u>0</u>	<u>760</u>	<u>1,151</u>	<u>391</u>
2,161,222	2,165,507	4,285	1,210	1,741	531
0	0	0	0	0	0
0	0	0	0	0	0
274,070	273,519	551	0	0	0
0	0	0	0	0	0
<u>1,736,430</u>	<u>1,736,347</u>	<u>83</u>	<u>900</u>	<u>900</u>	<u>0</u>
2,010,500	2,009,866	634	900	900	0
150,722	155,641	4,919	310	841	531
17,300	18,270	970	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>17,300</u>	<u>18,270</u>	<u>970</u>	<u>0</u>	<u>0</u>	<u>0</u>
168,022	173,911	5,889	310	841	531
(136,000)	(136,000)	0	0	0	0
32,022	37,911	5,889	310	841	531
175,395	175,395	0	10,261	10,261	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$207,417</u>	<u>\$213,306</u>	<u>\$5,889</u>	<u>\$10,571</u>	<u>\$11,102</u>	<u>\$531</u>

(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, 2001

	Totals		
	Revised Budget	Actual	(Memorandum Only) Variance Favorable (Unfavorable)
Revenues:			
Sales	\$384,559	\$384,510	(\$49)
Interest	450	590	140
Charges for Services	2,024,613	2,028,898	4,285
Other Revenues	140,596	140,986	390
Total Revenues	2,550,218	2,554,984	4,766
Expenses:			
Salaries	250,518	250,414	104
Fringe Benefits	134,308	136,485	(2,177)
Purchased Services	322,741	320,622	2,119
Materials and Supplies	350,379	309,848	40,531
Other	1,738,630	1,738,270	360
Total Expenses	2,796,576	2,755,639	40,937
Excess of Revenues Over (Under) Expenses	(246,358)	(200,655)	45,703
Non-Operating Revenues:			
Interest	21,800	21,057	(743)
Federal and State Subsidies	248,705	248,840	135
Total Non-Operating Revenues	270,505	269,897	(608)
Excess Revenues and Other Non-Operating Revenues Over/Under Expenses	24,147	69,242	45,095
Operating Transfers Out	(136,000)	(136,000)	0
Excess of Revenues and Other Non-Operating Revenues Over(Under) Expenses and Other Financing Uses	(111,853)	(66,758)	45,095
Fund Equity at Beginning of Year	332,482	332,482	(0)
Prior Year Encumbrances Appropriated	14,221	14,221	0
Fund Equity at End of Year	\$234,850	\$279,945	\$45,095

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, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Non-</u> <u>Expendable</u> <u>Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents:				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$384,510	\$0	\$0	\$384,510
Cash Received from Quasi-External Cash Transactions	0	2,028,899	0	2,028,899
Cash Received from Donations	0	0	1,152	1,152
Cash Received From Other Operating Sources	3,226	136,609	0	139,835
Cash Payments to Suppliers for Goods and Services	(343,447)	(273,520)	0	(616,967)
Cash Payments to Employees for Services	(250,414)	0	0	(250,414)
Cash Payments for Employee Benefits	(136,485)	0	0	(136,485)
Cash Payments for Claims	0	(1,736,347)	0	(1,736,347)
Cash Payments for Other Expenses	(1,023)	0	(900)	(1,923)
Net Cash Used in Operating Activities	(343,633)	155,641	252	(187,740)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	248,840	0	0	248,840
Operating Transfers Out	0	(136,000)	0	(136,000)
Net Cash Provided by Noncapital Financing Activities	248,840	(136,000)	0	112,840
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	2,787	18,270	590	21,647
Purchase of Investments	0	0	(617)	(617)
Net Cash Provided by Investing Activities	2,787	18,270	(27)	21,030
Net Increase (Decrease) in Cash and Cash Equivalents	(92,006)	37,911	225	(53,870)
Cash and Cash Equivalents at Beginning of Year	161,047	175,395	4,652	341,094
Cash and Cash Equivalents at End of Year	<u>\$69,041</u>	<u>\$213,306</u>	<u>\$4,877</u>	<u>\$287,224</u>

(continued)

Rolling Hills Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds (Continued)
 For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u> (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Fund Type</u> Non- Expendable Trust	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</u>				
Operating Income (Loss)	(\$414,957)	\$125,255	\$1,141	(\$288,561)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation	17,784	0	0	17,784
Donated Commodities Used During Year	62,371	0	0	62,371
Non-Expendable Trust fund Interest	0	0	(590)	(590)
<u>Changes in Assets and Liabilities:</u>				
Increase in Inventory Held for Resale	(3,163)	0	0	(3,163)
Increase in Materials and Supplies Inventory	(375)	0	0	(375)
Increase in Prepaid Items	(2,913)	0	0	(2,913)
Increase(Decrease) in Accounts Payable	1,433	0	(299)	1,134
Decrease in Accrued Wages & Benefits	(1,432)	0	0	(1,432)
Increase in Deferred Revenue	3,131	0	0	3,131
Decrease in Compensated Absences Payable	(1,805)	0	0	(1,805)
Decrease in Intergovernmental Payable	(3,707)	0	0	(3,707)
Increase in Claims Payable	0	30,386	0	30,386
Total Adjustments	<u>71,324</u>	<u>30,386</u>	<u>(889)</u>	<u>100,821</u>
Net Cash Used In/Provided by Operating Activities	<u>(\$343,633)</u>	<u>\$155,641</u>	<u>\$252</u>	<u>(\$187,740)</u>
<u>Reconciliation:</u>				
Cash and Cash Equivalents - All Fiduciary Funds		\$32,708		
Cash and Cash Equivalents - Agency Funds		(24,059)		
Cash and Cash Equivalents - All Expendable Trust Funds		<u>(3,772)</u>		
Cash and Cash Equivalents - All Non-Expendable Trust Funds		<u>\$4,877</u>		

See accompanying notes to the general purpose financial statements

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District operates under a locally-elected five member Board of Education 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 91 classified, 141 certificated full time teaching personnel, and 14 administrative employees who provide services to 2,176 students.

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

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

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

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

Village of Byesville

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

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Guernsey – Monroe – Noble Educational Service Center
East Central Ohio-Special Education Regional Resource Center

The School District is associated with four organizations, which are defined as jointly governed organizations and public entities. These organizations include the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the Mid-East Ohio Vocational School District, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Metropolitan Educational Council. These organizations are discussed in Note 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

Governmental Fund Types:

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

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include non-expendable trust, expendable trust and agency funds. Non-expendable trust funds are accounted for

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 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.

All proprietary funds and nonexpendable 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 types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., 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 and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis,

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time 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. Unused donated commodities are reported as deferred revenue.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

C. Budgetary Data

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

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 2001.

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

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

D. Cash and Investments

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

During fiscal year 2001, investments were limited to STARhio and a certificate of deposit. The nonnegotiable certificate of deposit is reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office, which

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 2001.

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, Self-Insurance Internal Service Fund and Non-Expendable trust Funds. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$297,511 which includes \$232,916 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal school year, the School District had one investment in the Bessie Sarchet Non-Expendable Trust Fund in the form of a thirty-six month certificate of deposit.

E. Restricted Assets

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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.

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. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. 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.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, bus purchases, endowments, budget stabilization, and capital acquisition.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

M. 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 a change of \$4,042 in contributed capital during this fiscal year.

N. 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.

O. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2000.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - ACCOUNTABILITY & COMPLIANCE

Fund Deficits:

The following funds had deficit fund balances at June 30, 2001:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
DPIA	\$ 4,629
State Grant-Summer School	99
Title VIR	818
Self Insurance Internal Service Fund	28,194
Food Service Enterprise Fund	347,481

Deficit balances in the DPIA, State Grant-Summer School, Title VIR Special Revenue Funds and Internal Service Self Insurance 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 5 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

Budgetary Basis of Accounting:

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

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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
All Governmental Fund Types and Similar Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$(336,712)	\$140,203	\$68,088	(\$7,101)	\$100
Net Adjustment For Revenue Accruals	(153,099)	(12,412)	1,055	85,000	0
Net Adjustment For Expenditure Accruals	(362,177)	(63,149)	0	(92,737)	(1,000)
Encumbrances	173,021	24,070	0	65,121	500
Debt Principal	0	0	(100,000)	0	0
Interest & Fiscal	0	0	(25,200)	0	0
Transfers - In	<u>0</u>	<u>0</u>	<u>125,200</u>	<u>(125,200)</u>	<u>0</u>
Budget Basis	<u>(\$678,967)</u>	<u>\$88,712</u>	<u>\$69,143</u>	<u>(\$74,917)</u>	<u>(\$400)</u>

Net Income (Loss) After Transfers/Excess of Revenues and
Other Non-Operating Revenues Over (Under) Expenses and Other Financing Uses
All Proprietary Fund Types and Similar Trust Funds

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non Expendable Trust</u>
GAAP Basis	(\$68,510)	\$7,525	\$1,141
Net Adjustment for Revenue Accruals	(95,094)	0	0
Loss on Sale of Fixed Asset	274	0	0
Net Adjustment for Expenditure Accruals	26,534	30,386	(300)
Encumbrances	13,502	0	0
Depreciation	<u>17,784</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>(\$105,510)</u>	<u>\$37,911</u>	<u>\$841</u>

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 – CASH AND CASH EQUIVALENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

4. Bonds and other obligations of the State of Ohio;
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year-end, the carrying amount of the District's deposits was \$3,577,109 and the bank balance was \$3,730,386. Of the bank balance, \$3,730,386 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, 2001 was \$449,007.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$4,019,890	\$6,226
Certificate of Deposit	6,226	(6,226)
Star Ohio	<u>(449,007)</u>	<u>449,007</u>
GASB Statement 3	<u>\$3,577,109</u>	<u>\$ 449,007</u>

At June 30, 2001, the School District's internal service fund had a balance of \$213,306. The money is held in a School District bank account. This process changed as of July 1, 1999 when the School District no longer was a part of the OME-RESA pooled account. The School District maintains a self-insured program with Med-Ben, Administrators, located in Newark, Ohio who review all claims that are paid by the School District. Claims requests are forwarded to the School District from Med-Ben, Inc. and checks are disbursed for the total amount approximately twice each month.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

Real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential, Other Real Estate & Public Utility Personal Tangible Personal Property	\$104,571,960	64.9%	\$116,354,310	67.2%
	<u>56,485,440</u>	<u>35.1%</u>	<u>56,802,960</u>	<u>32.8%</u>
Total	\$161,057,400	100.0%	\$173,157,270	100.0%

Tax rate per \$1,000 of .35 assessed valuation	\$36.04	\$34.86
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Guernsey, Muskingum, and Noble Counties. The Guernsey County Auditor periodically advances to the School district its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 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, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001 was \$1,276,097. \$793,788 was available to the General Fund, \$331,558 was available to the Emergency Levy Special Revenue Fund, and \$150,751 was available to the Debt Service Fund.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables

	<u>Amounts</u>
General Fund:	
State Auditor - CAFS	\$ 4,568
USFC Emergency Repair Grant	<u>73,851</u>
Total General Fund	78,419
Special Revenue Funds:	
Eisenhower	1,212
Title I	10,251
Title VIB	18,050
Drug Free Schools	<u>6,304</u>
Total Special Revenue Funds:	35,817
Food Service Enterprise Fund	<u>32,778</u>
Grand Total	<u>\$147,014</u>

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$487,761
Less accumulated depreciation	<u>(344,982)</u>
Net Fixed Assets	<u>\$142,779</u>

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Land & Improvements	\$639,418	\$26,181	\$0	\$665,599
Buildings & Building Improvements	16,461,781	35,708	0	16,497,489
Machinery, Equipment, Furniture & Fixtures	3,522,289	138,130	30,155	3,630,264
Vehicles	<u>1,379,637</u>	<u>163,817</u>	<u>105,379</u>	<u>1,438,075</u>
Total	<u>\$22,003,125</u>	<u>\$363,836</u>	<u>\$135,534</u>	<u>\$22,231,427</u>

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

NOTE 10 - 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 2001 the School District contracted with Nationwide Insurance for property insurance. There is a \$500 deductible with a blanket limit of \$43,252,000. Nationwide Insurance also covers boiler and machinery with a \$14,957,200 single occurrence limit and a \$500 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. Fleet insurance is covered by Nationwide Insurance and holds a \$500 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability. 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 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The Board of Education 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 plan. This plan provides medical/surgical coverage through a Preferred Provider Organization, Direct Care America, with a ten dollar co-pay if in network. If out of network coverage is desired, costs are paid at UCR and any remaining balances are the responsibility of the covered person at the \$100 single or \$300 family deductible per calendar year. A third party administrator, Medical benefits Administrators, located in Newark, Ohio reviews and processes all claims that are paid by the Board of Education. The Board of Education purchases stop-loss coverage of \$30,000 per individual and an aggregate limit is set, annually, for the entire group. The Board of Education pays into the Self-Insurance Internal Service Fund at \$546.30 family coverage or \$235.88 for individual coverage per month with the employee contributing ten percent of the premium. The premium is paid by the fund that pays the salary for the employee.

Dental coverage is included on a self-insured basis through Medical Benefits Administrators, as TPA. The Dental plan has deductibles of \$50 per family and \$25 per individual per calendar year. Total premiums for the coverage are \$55.51 for family and \$20.56 for individual coverage and the employee pays ten percent of the premium.

The Board of Education also provides prescription drug coverage to its employees through the self-insured program. This plan utilizes a \$10 brand name and a \$5 generic equivalent brand. The Healthreach/MedBen reviews all claims, which are then paid by the Board of Education. The premiums for this coverage is \$111.57 family coverage or \$47.78 for individual coverage per month with the employee contributing ten percent of the premium.

The claims liability of \$241,500 reported in the Self Insurance Internal Service Fund at June 30, 2001 is based on the requirements of Governmental Accounting Standards Board Statement No.10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount during 2000 and 2001 are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2000	\$68,212	\$1,507,905	\$1,365,003	\$ 211,114
2001	211,114	1,766,733	1,736,347	241,500

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Rolling Hills Local School District contributes to the School Employees Retirement System (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 State statute per 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 North 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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, 2001, 2000, and 1999 were \$278,474, \$263,940 and \$261,620 respectively; 40.74 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$165,032 representing the unpaid contribution for fiscal year 2001, 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 participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 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, 2001, 2000, and 1999 were \$805,765, \$769,438 and \$741,267, respectively; 82.27

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$142,828 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 12 – 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-certificated 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 funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$249,939 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$207,528.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 13 - 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 14 - 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, 2001 are \$400,000 including interest of \$44,800.

<u>Fiscal Year</u>	<u>1994 Energy Conservation</u>
2002	\$119,600
2003	114,000
2004	108,400
2005	<u>102,800</u>
Total	<u>\$444,800</u>

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - LONG TERM OBLIGATIONS

Long term obligations of the School District as of June 30, 2001 were as follows:

	<u>Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/01</u>
<u>General Obligation Bonds:</u>				
School Facilities				
Improvements-1985 (9.0% Interest Rate)	\$2,925,000	\$0	\$325,000	\$2,600,000
Energy Conservation 1993 Loan (6.2% Interest Rate)	340,000	0	165,000	175,000
Long-Term Pension Obligations	97,546	100,346	97,546	100,346
Compensated Absences	<u>621,404</u>	<u>56,500</u>	<u>0</u>	<u>677,904</u>
Grand Total General Obligations Debt	<u>\$3,983,950</u>	<u>\$156,846</u>	<u>\$587,546</u>	<u>\$3,553,250</u>

The School District's voted legal debt margin was \$15,584,154 with an unvoted debt margin of \$173,157 at June 30, 2001.

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, 2001 including interest of \$936,000 for School Facilities Improvements and \$10,850 for the Energy Conservation Loan are as follows:

	School Facilities <u>Improvements</u>	Energy Conservation <u>1993 Loan</u>	<u>Total</u>
<u>Year</u>			
2002	\$544,375	\$185,850	\$730,225
2003	515,125	0	515,125
2004	485,875	0	485,875
2005	456,625	0	456,625
2005-2008	<u>1,534,000</u>	<u>0</u>	<u>1,534,000</u>
Total	<u>\$3,536,000</u>	<u>\$ 185,850</u>	<u>\$3,721,850</u>

In addition, the School District received \$5,941,640 in monies from the Ohio School Facilities Commission. Initially, repayment of the Ohio School Facilities Commission funds was to be made over a

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Education Service Agency

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

B. Mid-East Ohio Vocational School District

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

NOTE 17 - 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

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

B. Purchasing Pool

The School District participates in the Metropolitan Educational Council (MEC), a purchasing pool. The organization is composed of over 100 members which includes school districts, joint vocational schools and libraries covering 24 counties in Central Ohio. The MEC helps school district purchase services, food, supplies, etc., at a reduced rate. The Governing Board of MEC 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 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, 2001.

B. Litigations

The School District is not party to any litigation at 6/30/01.

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.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance			
As of June 30, 2000	(\$163,045)	\$0	\$151,354
Current Year Set- Aside Requirement	254,689	254,689	0
Reduction for Budget Stabilization Based on Statutory Revision	0	0	(83,373)
Qualifying Expenditures	(180,506)	(168,200)	0
Current Year Offsets	<u>0</u>	<u>(81,022)</u>	<u>0</u>
Totals	(\$88,862)	\$5,467	\$67,981
	=====	=====	=====
Cash Balance Carried Forward to FY 2001	(\$88,862)	\$5,467	\$67,981
	=====	=====	=====
Total restricted balances to Carry forward to FY 2002	\$0	\$5,467	\$67,981
	=====	=====	=====

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the textbook set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$73,448.

Rolling Hills Local School District, Ohio

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - SUBSEQUENT EVENT

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

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**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$64,887	\$	\$62,371
School Breakfast Program	047308-05-PU-99	10.553	16		16	
	047308-05-PU-00	10.553	7,421		7,421	
	047308-05-PU-01	10.553	<u>40,772</u>		<u>40,772</u>	
Total School Breakfast Program			48,209		48,209	
National School Lunch Program	047308-LL-P1-00	10.555	21,608		21,608	
	047308-LL-P4-00	10.555	4,936		4,936	
	047308-LL-P1-01	10.555	128,127		128,127	
	047308-LL-P4-01	10.555	<u>29,259</u>		<u>29,259</u>	
Total National School Lunch Program			<u>183,930</u>		<u>183,930</u>	
Total U.S. Department of Agriculture - Child Nutrition Cluster			232,139	64,887	232,139	62,371
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies						
	047308-C1-S1-00	84.010	26,675		56,659	
	047308-C1-S1-01	84.010	<u>430,373</u>		<u>355,659</u>	
Total Title I			457,048		412,318	
Special Education Grants to States (Title VI-B)						
	047308-6B-SF-00P	84.027			14,637	
	047308-6B-SF-01P	84.027	<u>117,228</u>		<u>120,630</u>	
Total Special Education Grants to States			117,228		135,267	
Drug Free Schools	047308-DR-S1-01	84.186	2,702			
Title I, Capital Expenses	047308-CX-S1-99	84.216	2,300		2,612	
Goals 2000 - State and Local Education Systematic Improvement Grants						
	047308-G2-S2-00	84.276	21,000		19,297	
	047308-G2-S2-01	84.276	<u>14,000</u>		<u>2,834</u>	
Total Goals 2000			35,000		22,131	
Eisenhower Professional Development State Grants						
	047308-MS-S1-00	84.281			3,597	
	047308-MS-S1-01	84.281	<u>10,597</u>		<u>1,567</u>	
Total Eisenhower Professional Development Grants			10,597		5,164	

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

Federal Grantor/ <i>Pass-Through Grantor/</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. Department of Education (Continued)</u>						
<i>Passed Through Ohio Department of Education (Continued):</i>						
Innovative Education Program Strategies (Title VI)	047308-C2-S1-00	84.298			2,703	
	047308-C2-S1-01	84.298	<u>10,988</u>		<u>4,707</u>	
Total Innovative Education Program Strategies			10,988		7,410	
Class Size Reduction (Title VI-R)	047308-CR-S1-00	84.340			16,921	
	047308-CR-S1-01	84.340	<u>69,409</u>		<u>57,697</u>	
Total Class Size Reduction			<u>69,409</u>		<u>74,618</u>	
Total U.S. Department of Education			705,272		659,520	
<u>U.S. Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (Medicaid, Title XIX)	N/A	93.778	<u>55,095</u>		<u>55,095</u>	
Total U.S. Department of Health and Human Services			<u>55,095</u>		<u>55,095</u>	
Total Federal Awards Receipts and Expenditures			<u>\$992,506</u>	<u>\$64,887</u>	<u>\$946,754</u>	<u>\$62,371</u>

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

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary 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, 2001, the School District had no significant food commodities in inventory.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 2001.

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

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

November 30, 2001



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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, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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, 2001.

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, the 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

November 30, 2001

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(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 non-compliance 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):	Child Nutrition Cluster, C.F.D.A. #s 10.550, 10.553, and 10.555
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**ROLLING HILLS LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(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 herein.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards that were required to be reported herein.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

ROLLING HILLS LOCAL SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2002**