



**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
General Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types .....	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types .....	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type .....	12
Combined Statement of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Proprietary Fund Type .....	13
Combined Statement of Cash Flows – Proprietary Fund Type .....	14
Notes to the General Purpose Financial Statements .....	15
Schedule of Federal Awards Receipts and Expenditures.....	47
Notes to Schedule of Federal Awards Expenditures .....	48
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	49
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	51
Schedule of Findings.....	53
Schedule of Prior Findings.....	55

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Ripley Union Lewis Huntington Local School District  
Brown County  
120 Main Street  
Ripley, Ohio 45167

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type 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 March 17, 2004 on our consideration of the 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.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management & 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. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 17, 2004

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**Ripley Union Lewis Huntington Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$924,210	\$144,552	\$746,506	\$7,883,391
Receivables:				
Taxes	1,595,443	36,151	430,113	0
Accounts	3,630	2,938	0	0
Intergovernmental	3,254	210,013	0	14,260,015
Accrued Interest	4,139	0	0	10,708
Interfund Receivable	73,799	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	16,876	7,169	0	0
Prepaid Items	27,367	9,222	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$2,648,718</u>	<u>\$410,045</u>	<u>\$1,176,619</u>	<u>\$22,154,114</u>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$49,434	\$46,230	\$0	\$0	\$9,794,323
0	0	0	0	2,061,707
4,437	1,313	0	0	12,318
36,430	0	0	0	14,509,712
0	0	0	0	14,847
0	0	0	0	73,799
4,689	0	0	0	4,689
199	0	0	0	24,244
568	0	0	0	37,157
5,021	0	18,325,964	0	18,330,985
0	0	0	809,254	809,254
0	0	0	4,306,830	4,306,830
<u>\$100,778</u>	<u>\$47,543</u>	<u>\$18,325,964</u>	<u>\$5,116,084</u>	<u>\$49,979,865</u>

(continued)

**Ripley Union Lewis Huntington Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2003**  
**(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Liabilities, Fund Equity and Other Credits:</i></b>				
<b><i>Liabilities:</i></b>				
Accounts Payable	\$20,223	\$7,860	\$0	\$220
Contracts Payable	0	0	0	699,819
Accrued Wages and Benefits	638,856	82,104	0	0
Compensated Absences Payable	16,385	0	0	0
Retainage Payable	0	0	0	29,648
Interfund Payable	0	73,799	0	0
Intergovernmental Payable	142,630	12,830	0	0
Deferred Revenue	1,374,803	138,752	367,365	14,270,039
Undistributed Monies	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>2,192,897</b>	<b>315,345</b>	<b>367,365</b>	<b>14,999,726</b>
<b><i>Fund Equity and Other Credits:</i></b>				
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	37,579	36,661	0	1,933,991
Reserved for Property Taxes	196,593	4,754	56,572	0
Unreserved:				
Undesignated	221,649	53,285	752,682	5,220,397
<b>Total Fund Equity and Other Credits</b>	<b>455,821</b>	<b>94,700</b>	<b>809,254</b>	<b>7,154,388</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,648,718</b>	<b>\$410,045</b>	<b>\$1,176,619</b>	<b>\$22,154,114</b>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$586	\$0	\$0	\$0	\$28,889
0	0	0	0	699,819
19,728	0	0	0	740,688
5,094	0	0	480,586	502,065
0	0	0	0	29,648
0	0	0	0	73,799
18,493	0	0	73,232	247,185
0	1,313	0	0	16,152,272
0	46,230	0	0	46,230
0	0	0	179,106	179,106
0	0	0	4,383,160	4,383,160
<u>43,901</u>	<u>47,543</u>	<u>0</u>	<u>5,116,084</u>	<u>23,082,861</u>
0	0	18,325,964	0	18,325,964
14,592	0	0	0	14,592
42,285	0	0	0	42,285
0	0	0	0	2,008,231
0	0	0	0	257,919
0	0	0	0	6,248,013
<u>56,877</u>	<u>0</u>	<u>18,325,964</u>	<u>0</u>	<u>26,897,004</u>
<u>\$100,778</u>	<u>\$47,543</u>	<u>\$18,325,964</u>	<u>\$5,116,084</u>	<u>\$49,979,865</u>

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**Ripley Union Lewis Huntington Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$1,624,572	\$36,885	\$419,698	\$19,586	\$2,100,741
Intergovernmental	6,959,614	945,399	57,052	6,452,202	14,414,267
Interest	41,434	305	0	92,609	134,348
Tuition and Fees	258,020	0	0	0	258,020
Rent	10,071	0	0	0	10,071
Extracurricular Activities	0	74,376	0	0	74,376
Gifts and Donations	100	3,478	0	0	3,578
Miscellaneous	31,772	7,948	60,976	1,778	102,474
<b>Total Revenues</b>	<b>8,925,583</b>	<b>1,068,391</b>	<b>537,726</b>	<b>6,566,175</b>	<b>17,097,875</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	3,589,239	246,636	0	14,840	3,850,715
Special	642,276	448,820	0	0	1,091,096
Vocational	473,323	10,826	0	0	484,149
Adult/Continuing	1,727	4,021	0	0	5,748
Support Services:					
Pupils	275,661	10,306	0	0	285,967
Instructional Staff	552,634	103,940	0	30,171	686,745
Board of Education	123,801	0	0	0	123,801
Administration	793,780	90,854	0	0	884,634
Fiscal	246,114	1,192	14,191	0	261,497
Operation and Maintenance of Plant	825,065	28,802	0	0	853,867
Pupil Transportation	710,708	5,564	0	0	716,272
Central	81,725	5,194	0	2,700	89,619
Non-Instructional Services	6,376	41,558	0	0	47,934
Extracurricular Activities	101,116	54,783	0	0	155,899
Capital Outlay	0	0	0	2,252,153	2,252,153
Intergovernmental	0	32,127	0	0	32,127
Debt Service:					
Principal Retirement	0	0	338,801	0	338,801
Interest and Fiscal Charges	0	0	205,832	9,775	215,607
<b>Total Expenditures</b>	<b>8,423,545</b>	<b>1,084,623</b>	<b>558,824</b>	<b>2,309,639</b>	<b>12,376,631</b>
Excess of Revenues Over (Under) Expenditures	502,038	(16,232)	(21,098)	4,256,536	4,721,244
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Bonds	0	0	0	1,557,000	1,557,000
Proceeds from Sale of Fixed Assets	450	0	0	0	450
Operating Transfers-In	0	0	66,145	0	66,145
Operating Transfers-Out	(66,145)	0	0	0	(66,145)
<b>Total Other Financing Sources (Uses)</b>	<b>(65,695)</b>	<b>0</b>	<b>66,145</b>	<b>1,557,000</b>	<b>1,557,450</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	436,343	(16,232)	45,047	5,813,536	6,278,694
Fund Balances at Beginning of Year	19,478	110,932	764,207	1,340,852	2,235,469
Fund Balances at End of Year	\$455,821	\$94,700	\$809,254	\$7,154,388	\$8,514,163

See accompanying notes to the general purpose financial statements

**Ripley Union Lewis Huntington Local School District**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,609,858	\$1,609,858	\$0	\$36,604	\$36,604	\$0
Intergovernmental	6,956,360	6,956,360	0	844,477	844,477	0
Interest	45,085	45,049	(36)	305	305	0
Tuition and Fees	257,981	258,020	39	0	0	0
Rent	10,071	10,071	0	0	0	0
Extracurricular Activities	0	0	0	74,376	74,376	0
Gifts and Donations	100	100	0	3,478	3,478	0
Miscellaneous	22,592	22,776	184	5,010	5,010	0
<b>Total Revenues</b>	<b>8,902,047</b>	<b>8,902,234</b>	<b>187</b>	<b>964,250</b>	<b>964,250</b>	<b>0</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	3,583,185	3,583,185	0	268,469	268,469	0
Special	635,988	635,988	0	461,569	461,569	0
Vocational	478,401	478,401	0	12,032	12,032	0
Adult/Continuing	1,727	1,727	0	4,021	4,021	0
Support Services:						
Pupils	294,174	294,174	0	10,306	10,306	0
Instructional Staff	559,452	559,452	0	125,839	125,839	0
Board of Education	125,004	125,004	0	0	0	0
Administration	799,143	799,143	0	89,105	89,105	0
Fiscal	248,741	248,741	0	1,192	1,192	0
Operation and Maintenance of Plant	851,258	851,258	0	29,152	29,152	0
Pupil Transportation	732,728	732,728	0	5,564	5,564	0
Central	86,209	86,209	0	5,194	5,194	0
Non-Instructional Services	6,539	6,539	0	78,205	78,205	0
Extracurricular Activities	106,107	106,107	0	57,983	57,983	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>8,508,656</b>	<b>8,508,656</b>	<b>0</b>	<b>1,148,631</b>	<b>1,148,631</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	393,391	393,578	0	(184,381)	(184,381)	0
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	450	450	0	0	0	0
Refund of Prior Year Receipts	(402)	(402)	0	(750)	(750)	0
Refund of Prior Year Expenditures	8,996	8,996	0	0	0	0
Operating Transfers-In	0	0	0	0	0	0
Operating Transfers-Out	(66,145)	(66,145)	0	0	0	0
Advances-In	180,821	186,821	6,000	217,120	217,120	0
Advances-Out	(260,620)	(260,620)	0	(143,321)	(143,321)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(136,900)</b>	<b>(130,900)</b>	<b>6,000</b>	<b>73,049</b>	<b>73,049</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	256,491	262,678	6,187	(111,332)	(111,332)	0
Fund Balances at Beginning of Year	555,487	555,487	0	178,078	178,078	0
Prior Year Encumbrances Appropriated	49,707	49,707	0	33,193	33,193	0
<b>Fund Balances at End of Year</b>	<b>\$861,685</b>	<b>\$867,872</b>	<b>\$6,187</b>	<b>\$99,939</b>	<b>\$99,939</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$435,977	\$435,977	\$0	\$0	\$0	\$0	\$2,082,439	\$2,082,439	\$0
57,052	57,052	0	6,452,202	6,452,202	0	14,310,091	14,310,091	0
0	0	0	91,697	91,925	228	137,087	137,279	192
0	0	0	0	0	0	257,981	258,020	39
0	0	0	0	0	0	10,071	10,071	0
0	0	0	0	0	0	74,376	74,376	0
0	0	0	0	0	0	3,578	3,578	0
1,778	62,754	60,976	0	0	0	29,380	90,540	61,160
<u>494,807</u>	<u>555,783</u>	<u>60,976</u>	<u>6,543,899</u>	<u>6,544,127</u>	<u>(228)</u>	<u>16,905,003</u>	<u>16,966,394</u>	<u>(61,391)</u>
0	0	0	16,040	16,040	0	3,867,694	3,867,694	0
0	0	0	0	0	0	1,097,557	1,097,557	0
0	0	0	0	0	0	490,433	490,433	0
0	0	0	0	0	0	5,748	5,748	0
0	0	0	0	0	0	304,480	304,480	0
0	0	0	30,171	30,171	0	715,462	715,462	0
0	0	0	0	0	0	125,004	125,004	0
0	0	0	0	0	0	888,248	888,248	0
14,191	14,191	0	0	0	0	264,124	264,124	0
0	0	0	0	0	0	880,410	880,410	0
0	0	0	0	0	0	738,292	738,292	0
0	0	0	2,700	2,700	0	94,103	94,103	0
0	0	0	0	0	0	84,744	84,744	0
0	0	0	0	0	0	164,090	164,090	0
0	0	0	3,460,978	3,460,978	0	3,460,978	3,460,978	0
1,895,801	1,895,801	0	0	0	0	1,895,801	1,895,801	0
166,220	227,196	(60,976)	0	0	0	166,220	227,196	(60,976)
<u>2,076,212</u>	<u>2,137,188</u>	<u>(60,976)</u>	<u>3,509,889</u>	<u>3,509,889</u>	<u>0</u>	<u>15,243,388</u>	<u>15,304,364</u>	<u>(60,976)</u>
<u>(1,581,405)</u>	<u>(1,581,405)</u>	<u>0</u>	<u>3,034,010</u>	<u>3,034,238</u>	<u>228</u>	<u>1,661,615</u>	<u>1,662,030</u>	<u>228</u>
1,557,000	1,557,000	0	0	0	0	1,557,000	1,557,000	0
0	0	0	0	0	0	450	450	0
0	0	0	0	0	0	(1,152)	(1,152)	0
0	0	0	0	0	0	8,996	8,996	0
66,145	66,145	0	0	0	0	66,145	66,145	0
0	0	0	0	0	0	(66,145)	(66,145)	0
0	0	0	0	0	0	397,941	403,941	6,000
0	0	0	0	0	0	(403,941)	(403,941)	0
<u>1,623,145</u>	<u>1,623,145</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,559,294</u>	<u>1,565,294</u>	<u>6,000</u>
41,740	41,740	0	3,034,010	3,034,238	228	3,220,909	3,227,324	6,415
704,766	704,766	0	2,894,297	2,894,297	0	4,332,628	4,332,628	0
0	0	0	20,645	20,645	0	103,545	103,545	0
<u>\$746,506</u>	<u>\$746,506</u>	<u>\$0</u>	<u>\$5,948,952</u>	<u>\$5,949,180</u>	<u>\$228</u>	<u>\$7,657,082</u>	<u>\$7,663,497</u>	<u>\$6,415</u>

**Ripley Union Lewis Huntington Local School District**  
**Combined Statement of Revenues,**  
**Expenses and Changes in Fund Equity**  
**Proprietary Fund Type**  
**For the Fiscal Year Ended June 30, 2003**

	Enterprise
<b><u>Operating Revenues:</u></b>	
Sales	\$244,517
<b><u>Operating Expenses:</u></b>	
Salaries	157,516
Fringe Benefits	58,497
Purchased Services	1,106
Materials and Supplies	41,619
Cost of Sales	218,249
Depreciation	5,955
Other	848
Total Operating Expenses	483,790
Operating Loss	(239,273)
<b><u>Non-Operating Revenues:</u></b>	
Federal Donated Commodities	39,753
Interest	1,353
Federal and State Subsidies	220,943
Total Non-Operating Revenues	262,049
Net Income	22,776
Retained Earnings at Beginning of Year	16,239
Retained Earnings at End of Year	39,015
Contributed Capital at Beginning of Year	17,862
Contributed Capital at End of Year	17,862
Total Fund Equity at End of Year	\$56,877

See accompanying notes to the general purpose financial statements



**Ripley Union Lewis Huntington Local School District**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Fund Equity - Budget and Actual (Budget Basis)**  
**Proprietary Fund Type**  
**For the Fiscal Year Ended June 30, 2003**

	Enterprise		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Sales	\$241,644	\$242,804	\$1,160
Interest	1,353	1,353	0
Federal and State Subsidies	184,513	184,513	0
Total Revenues	427,510	428,670	1,160
<b><u>Expenses:</u></b>			
Salaries	160,042	160,042	0
Fringe Benefits	54,506	54,506	0
Purchased Services	540	540	0
Materials and Supplies	216,643	216,643	0
Other	848	848	0
Total Expenses	432,579	432,579	0
Excess of Revenues Under Expenses	(5,069)	(3,909)	1,160
Advances-In	42,500	42,500	0
Advances-Out	(42,500)	(42,500)	0
Excess of Revenues Under Expenses and Advances	(5,069)	(3,909)	1,160
Fund Equity at Beginning of Year	52,277	52,277	0
Prior Year Encumbrances Appropriated	340	340	0
Fund Equity at End of Year	\$47,548	\$48,708	\$1,160

See accompanying notes to the general purpose financial statements

**Ripley Union Lewis Huntington Local School District**  
**Combined Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the Fiscal Year Ended June 30, 2003**

	Enterprise
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$242,804
Cash Payments to Suppliers for Goods and Services	(217,342)
Cash Payments to Employees for Services	(160,042)
Cash Payments for Employee Benefits	(54,470)
	(189,050)
Net Cash Used for Operating Activities	(189,050)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	184,513
Short-Term Loans from Other Funds	42,500
Repayment of Short-Term Loans	(42,500)
	184,513
Net Cash Provided by Noncapital Financing Activities	184,513
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	1,353
	1,353
Net Decrease in Cash and Cash Equivalents	(3,184)
Cash and Cash Equivalents at Beginning of Year	52,618
	52,618
Cash and Cash Equivalents at End of Year	\$49,434
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$239,273)
	(\$239,273)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	5,955
Donated Commodities Received During Year	39,753
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Accounts Receivable	(1,713)
Increase in Prepaid Items	(3)
Decrease in Inventory Held for Resale	4,034
Decrease in Materials and Supply Inventory	110
Increase in Accrued Wages	388
Increase in Accounts Payable	586
Decrease in Compensated Absences Payable	(2,454)
Increase in Intergovernmental Payable	3,567
	3,567
Total Adjustments	50,223
Net Cash Used for Operating Activities	(\$189,050)

**Non-Cash Transactions:** The School District received \$39,753 in donated commodities during the year in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

In 1817, the first school was built in Ripley, Ohio while the village was still a part of Clermont County. In 1915, Union Township merged with the village school, and a new building was erected. In 1932, a new high school was built on the site of the former Ripley fairgrounds. Following a State order, and the failure of Tate Township to renew the Higginsport High School charter, the Lewis Township district merged with Ripley-Union in 1956.

With the new growth, 1958 through 1961 saw the addition of classrooms at the high school and improvements to both elementary buildings. However, the School District was small. In 1961, only 800 students were enrolled in the School District.

Due to a successful territorial transfer in 1989 from the Ohio Valley/Adams County Board of Education to the Ripley Union Lewis School District, Aberdeen in Huntington Township became a part of the School District. With the addition of 325 students, the Aberdeen Elementary was reopened and the new Ripley Union Lewis Huntington School District began to grow.

In 1990, the School District passed a school bond issue by 62 percent, and assumed a 6.5 mill tax to build a state of the art junior/senior high school. This new building opened in January of 1994, and houses grades 7 – 12. The \$8 million facility includes a 2,000 seat gymnasium, a local area network for computers throughout the building, and many new programs. The School District has experienced tremendous growth. With the new bridge linking Maysville, Kentucky to Aberdeen, Ohio and points north, the route south through Lexington is easily accessible. Land development, economic expansion and State interest in this area have promoted development and a dynamic future for schools.

In 1994, the old high school received a \$2 million remodeling grant to become a new progressive K-6 complex. The old Ripley and Aberdeen Elementary buildings were closed. The old High School building was renovated to become the new Elementary building, which opened in 1995. The Early Childhood Resource Center was added to the renovated Elementary building in 1997.

On October 5, 1999, the District submitted an application to the Ohio School Facilities Commission based on a ten-year eligibility list. Two years later the District passed a 1.45 mill bond issue to provide a match and maintenance (.5 mill) for a new grade 5 through 8 Middle School, to be located in Aberdeen. Significant upgrades of the heating, ventilating and air conditioning systems in the existing Jr./Sr. High School and Preschool-6 Elementary School were included in the \$22,000,000 project. The Ohio School Facilities Commission agreed to pay 93 percent of the funding of the project, with the District providing a 7 percent local match.

On August 29, 2002 the School District issued \$1,557,000 in School Improvement Bonds as a result of the School District being approved for a \$22,245,074 school classroom facilities grant. The School District issued the general obligation bonds to meet the matching requirement for the school facilities grant. As a grant requirement of the grant, the voters in the School District passed a levy on November 6, 2001, for the issuance of the general obligation bonds.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

(continued)

Groundbreaking for the construction projects took place on May 5, 2003. Grades Pre-K through 4 will be housed at the new Elementary School in Ripley. Grades 5 through 8 will be housed at the new Middle School in Aberdeen. Finally, Grades 9 through 12 will be housed at the remodeled High School in Ripley. The completion date is currently scheduled for December, 2004.

Ripley Union Lewis Huntington Schools (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of 91 square miles. It is located in Brown County, including all of the Village of Ripley, and portions of surrounding townships. The Board of Education controls the School District's two instructional support facilities staffed by 60 non-certificated and 98 teaching personnel and 12 administrative employees providing education to 1,399 students.

**Reporting Entity**

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

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 or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support, to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

(continued)

The following activities are included within the reporting entity:

Within the School District boundaries, St. Michael's (operated through the Cincinnati Catholic Diocese), operates as a private school. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the school by the Treasurer of the School District, as directed by the parochial school. This financial activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Brown County Schools Benefits Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17, 18 and 19 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ripley Union Lewis Huntington 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 and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - 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.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable 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) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds – The Special revenue funds are used to account for the proceeds of specific revenue sources (other than 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 obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are 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).

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Proprietary Fund Type:

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 is the School District's only proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities 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.

Fiduciary Fund Type:

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. The School District's only fiduciary funds are agency funds. 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 account 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 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 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.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

All proprietary 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 funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental 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, 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 5). 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 fiscal 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, accounts, grants, and interest.

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, 2003, but which were levied to finance fiscal year 2004 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.



*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 the governmental funds.

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

**C. Budgetary Process**

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 by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

**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 Brown County Budget Commission for rate determination.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County 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 fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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 is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

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 passed during the year, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year for all funds, other than agency funds at the function level, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures and encumbrances for the fiscal year.

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 fiscal 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.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all 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 School District 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 2003, the School District's investments were limited to certificates of deposit and funds invested in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investments pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003. Nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$41,434 which includes \$35,929 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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. 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. Inventories for governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of proprietary funds consist of donated food, purchased food, school supplies held for resale, and supplies and are expensed when used.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

**G. Interfund Assets/Liabilities**

Short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables.”

**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 the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the 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 twenty five hundred dollars. The School District does not have 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. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund is computed using the straight-line method over an estimated useful life of eight to twenty years.

**I. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

Depreciation of those assets acquired or constructed with contributed capital is expended and closed to contributed capital at year end.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**J. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences (including the retirement incentive) and contractually required 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. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds and long-term notes are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. Interfund Transactions**

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

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

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Estimates**

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

**O. 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 or results of operations 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.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP 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 disclosure in the proprietary fund types (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The School District repays the Vehicle Acquisition Note payable from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay the principal have been allocated accordingly.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$436,343	(\$16,232)	\$45,047	\$5,813,536
Adjustments:				
Revenue Accruals	(14,353)	(104,141)	18,057	(22,048)
Expenditure Accruals	(29,175)	(20,145)	(1,578,364)	733,961
Advances (Net)	(73,799)	73,799	0	0
Bond Proceeds	0	0	1,557,000	(1,557,000)
Encumbrances	(56,338)	(44,613)	0	(1,934,211)
Budget Basis	\$262,678	(\$111,332)	\$41,740	\$3,034,238

Net Income/Excess of Revenues Under Expenses and Advances Proprietary Fund Type	
	Enterprise
GAAP Basis	\$22,776
Adjustments:	
Revenue Accruals	(77,896)
Expense Accruals	47,793
Inventory Held for Resale	4,034
Materials and Supplies Inventory	110
Encumbrances	(726)
Budget Basis	(\$3,909)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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 deposit accounts.



*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

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

Protection of the School District's 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 any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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);

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 the 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 qualified trustee 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 fiscal year-end, the carrying amount of the School District's deposits was \$3,595,996 and the bank balance was \$3,859,452. Of the bank balance:

1. \$400,000 was covered by federal depository insurance;
2. \$1,901,758 was covered by collateral held by the School District's agent in the School District's name; and
3. \$1,557,694 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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 School District's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced

**Ripley Union Lewis Huntington Local School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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by securities that exist in physical or book entry form.

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

	<u>Carrying/Fair Value</u>
STAR Ohio	<u><u>\$6,198,327</u></u>

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, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting"*.

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$9,794,323	\$0
Investments:		
STAR Ohio	(6,198,327)	6,198,327
GASB Statement No. 3	<u><u>\$3,595,996</u></u>	<u><u>\$6,198,327</u></u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Ripley Union Lewis Huntington Local School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 5 - PROPERTY TAXES** (continued)

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2003 tangible personal property tax settlement was not received until July 2003.

The School District receives property taxes from Brown County. The 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$196,593 in the general fund, \$4,754 in the classroom facility maintenance special revenue fund, and \$56,572 in the debt service fund. The amount available as an advance at June 30, 2002, was \$192,104 in the general fund, \$4,646 in the classroom facility maintenance special revenue fund, and \$55,318 in the debt service fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	<u>2002 Second- Half Collections</u>		<u>2003 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$67,569,210	87.49%	\$68,780,830	87.98%
Public Utility Personal	5,317,540	6.89%	5,418,600	6.93%
Tangible Personal Property	4,341,138	5.62%	3,977,194	5.09%
<b>Total</b>	<b><u>\$77,227,888</u></b>	<b><u>100.00%</u></b>	<b><u>\$78,176,624</u></b>	<b><u>100.00%</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$42.15		 \$42.15	

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts (student fees, tuition and charges for services), intergovernmental grants and interest. 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. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
U.S. Marines ROTC Program Reimbursable	\$3,254
Special Revenue Funds:	
Title I - Schoolwide	112,552
Title II A - Class Size Reduction	33,674
Title II D - Technology	1,957
Title IV-A - Safe and Drug Free Schools	3,799
Title VI-B Rural & Low Income	23,349
Title VI-B Special Education	33,429
Post Secondary State Vocational Education	1,253
Total Special Revenue Funds	210,013
Capital Project Fund:	
Classroom Facilities Project	14,260,015
Enterprise Fund:	
Cafeteria Fund	36,430
Total Intergovernmental Receivables	<u>\$14,509,712</u>

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets follows:

Furniture and Equipment	\$162,053
Less Accumulated Depreciation	(157,032)
Net Fixed Assets	<u>\$5,021</u>

**Ripley Union Lewis Huntington Local School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 7 - FIXED ASSETS** (continued)

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/03</u>
Land and Land Improvements	\$2,288,702	\$0	\$0	\$2,288,702
Buildings and Improvements	10,907,962	31,379	0	10,939,341
Furniture, Fixtures and Equipment	1,570,552	41,379	0	1,611,931
Vehicles	1,253,426	0	0	1,253,426
Construction in Progress	0	2,232,564	0	2,232,564
Totals	<u>\$16,020,642</u>	<u>\$2,305,322</u>	<u>\$0</u>	<u>\$18,325,964</u>

**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective April 29, 2003, the School District contracted with Indiana Insurance Company for property and building blanket group insurance coverage. Professional liability is protected by the Indiana Insurance Company with a \$4,000,000 aggregate limit under a commercial umbrella policy.

The School District's vehicles are covered by the Auto Owners Insurance Company and hold a \$100 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 8 - RISK MANAGEMENT** (continued)

**C. Employee Medical Benefits**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 18) consisting of six districts. Medical coverage is provided through Medical Mutual and the dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operation of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions relating to the medical insurance and all dental claims related to its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

The 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$135,442, \$94,214 and \$56,638 respectively; 58.68 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 9 - PENSION PLANS** (continued)

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.



*Ripley Union Lewis Huntington Local School District*  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**NOTE 9 - PENSION PLANS** (continued)

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$636,943, \$412,003, and \$402,125 respectively; 83.71 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,246 made by the School District and \$6,868 made by the plan members.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$73,796 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients. For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$121,378.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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 a maximum of 200 days for teachers and administrators, and 190 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days for teachers and administrators, and a maximum of 45 days for classified employees.

**B. Insurance and Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Dental insurance through CoreSource, Inc. is not provided by the School District, but is available to all employees through payroll deduction.

**NOTE 12 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended June 30, 2003 follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
School Improvement Bond				
Anticipation Notes - 4.875%	\$1,557,000	\$0	\$1,557,000	\$0
	\$1,557,000	\$0	\$1,557,000	\$0

On March 5, 2002, the School District issued notes in the amount of \$1,557,000. The notes were issued in anticipation of the issuance of Classroom Facilities General Obligation Bonds for the purpose of building new school facilities. The notes matured on October 7, 2002, and were retired with Classroom Facilities Bonds proceeds.

**Ripley Union Lewis Huntington Local School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03
School Improvement Refunding Bonds 2/12/1998 3.95% - 5.05%	\$1,954,992	\$0	\$215,000	\$1,739,992
School Improvement Bonds 7/1/1998 4.75% - 5.05%	1,150,000	0	70,000	1,080,000
2003 Classroom Facilities:				
Serial Bonds 2.0% to 3.9%	0	735,000	0	735,000
Term Bonds 4.6% to 4.9%	0	755,000	0	755,000
Capital Appreciation Bonds 9.914%	0	67,000	0	67,000
Accretion on Capital Appreciation Bonds	0	6,168	0	6,168
Total General Obligation Bonds	3,104,992	1,563,168	285,000	4,383,160
Vehicle Acquisition Notes 12/1/2000 5.30%	232,907	0	53,801	179,106
Compensated Absences	421,699	58,887	0	480,586
Intergovernmental Payable	82,705	73,232	82,705	73,232
Total General Long-Term Obligations	<u>\$3,842,303</u>	<u>\$1,695,287</u>	<u>\$421,506</u>	<u>\$5,116,084</u>

***General Obligation Debt for School Improvement Refunding Bonds***

On February 12, 1998, the School District issued \$2,749,992 in School Improvement Refunding Bonds to defease general obligation bonds issued in 1991. The new bonds were issued for a seventeen year period with final maturity on December 1, 2014. The principal and interest will be paid from the debt service fund.

***General Obligation Debt for School Improvement Bonds***

On July 1, 1998, the School District issued \$1,300,000 in general obligation bonds for the purpose of improving, remodeling, renovating and making additions to school facilities. The bonds were issued for a fifteen year period with final maturity on December 1, 2013. The principal and interest will be paid from the debt service fund.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

***General Obligation Debt for 2003 Classroom Facilities Bonds***

On September 1, 2002, the School District issued \$1,557,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. The bonds were issued for a twenty-three year period with final maturity in December 2025. The bonds will be retired from the debt service fund.

The term bonds, issued at \$755,000, maturing on December 1, 2020 and December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Fiscal Year Ending June 30,	Amount
2018	\$80,000
2019	85,000
2020	90,000
2021	90,000
2022	95,000
2023	100,000
2024	105,000
2025	110,000
Total	<u><u>\$755,000</u></u>

The serial bonds, issued at \$735,000 with maturity dates of December 1, 2003 to December 1, 2013, are subject to optional redemption in whole or in part on any date at the option of the Issuer on or after December 1, 2012.

The capital appreciation bonds, issued at \$67,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2014 through 2016. The maturity amounts of the capital appreciation bonds are \$80,000 in fiscal years 2014 through 2016. For fiscal year 2003, the capital appreciation bonds were accreted \$6,168.

The total outstanding bonds at fiscal year-end was \$1,563,168. The total bonds at final maturity will be \$1,730,000.

***General Obligation Debt for Vehicle Acquisition Notes***

On December 1, 2000, the School District issued \$284,000 in unvoted general obligation debt for the purpose of acquiring school buses and other equipment used in transporting pupils. The notes were issued for a five year period with final maturity on December 1, 2005. The principal and interest will be paid from the debt service fund.

**Ripley Union Lewis Huntington Local School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

The School District's overall legal debt margin was \$3,468,158 with an unvoted debt margin of \$78,177 at June 30, 2003.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences and intergovernmental payables will be paid from the funds from which the employees' salaries are paid.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

**School Improvement Bonds**

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$300,000	\$76,685	\$376,685
2005	315,000	63,586	378,586
2006	330,000	49,498	379,498
2007	232,901	142,077	374,978
2008	231,085	144,257	375,342
2009-2013	1,104,151	741,749	1,845,900
2014-2015	306,855	296,313	603,168
Total	<u>\$2,819,992</u>	<u>\$1,514,165</u>	<u>\$4,334,157</u>

**Classroom Facilities Bonds**

Fiscal year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2004	\$60,000	\$57,585	\$0	\$0	\$0	\$0	\$0
2005	60,000	56,385	0	0	0	0	0
2006	60,000	55,170	0	0	0	0	0
2007	60,000	53,820	0	0	0	0	0
2008	65,000	52,191	0	0	0	0	0
2009-2013	350,000	227,959	0	0	0	0	0
2014-2018	80,000	37,520	80,000	0	67,000	173,000	320,000
2019-2023	0	0	460,000	130,668	0	0	590,668
2024-2025	0	0	215,000	23,643	0	0	238,643
Total	<u>\$735,000</u>	<u>\$540,630</u>	<u>\$755,000</u>	<u>\$154,311</u>	<u>\$67,000</u>	<u>\$173,000</u>	<u>\$1,149,311</u>

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

Vehicle Acquisition Notes

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$56,653	\$9,493	\$66,146
2005	59,637	6,508	66,145
2006	62,816	3,329	66,145
Total	<u>\$179,106</u>	<u>\$19,330</u>	<u>\$198,436</u>

**NOTE 14 - LESSOR DISCLOSURE - OPERATING LEASE**

In 1997, the School District entered into a 15 year operating lease between the School District and the Brown County Board of Mental Retardation and Developmental Disabilities (BMRDD), for an early childhood center. The valuation at the time of the donation by BMRDD was \$794,027 and this amount has been included in the general fixed assets account group - building improvements. In consideration of BMRDD's funding of the project, the School District receives \$1.00 per year as a lease payment. If the School District terminates the lease, the School District would be required to reimburse BMRDD for a prorated amount of the funding which was provided by BMRDD for construction of the addition over the remainder of the unused lease term as agreed to by the leasing parties. The School District also agrees to insure the building addition against loss by fire or other casualty.

**NOTE 15 – INTERFUND RECEIVABLES/PAYABLES**

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$73,799	\$0
Special Revenue Funds:		
Title I	0	40,000
Title VII-A, Teacher Quality	0	10,000
Title VI-B	0	20,000
Drug Free Grant	0	3,799
Total Special Revenue Funds	<u>0</u>	<u>73,799</u>
Total All Funds	<u>\$73,799</u>	<u>\$73,799</u>

**Ripley Union Lewis Huntington Local School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. The table on the next page reflects the more significant financial data relating to the enterprise funds of the Ripley Union Lewis Huntington Local School District as of and for the fiscal year ended.

	Food Service	School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$218,951	\$25,566	\$0	\$244,517
Depreciation Expense	5,955	0	0	5,955
Operating Income (Loss)	(247,224)	7,951	0	(239,273)
Donated Commodities	39,753	0	0	39,753
Operating Grants	220,943	0	0	220,943
Net Income	14,825	7,951	0	22,776
Net Working Capital	39,199	17,104	647	56,950
Total Assets	82,441	17,690	647	100,778
Total Equity	39,126	17,104	647	56,877
Encumbrances Outstanding at June 30, 2003	66	660	0	726

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association (SCOCA)**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing Board of SCOCA consists of two representatives, from each county in the SCOCA service region, designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$38,533 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**B. Hopewell Special Education Regional Resource Center (Hopewell)**

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the Clinton-Fayette-Highland Educational Service District, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, Ohio, 45177.

**NOTE 18 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

The Brown County Schools Benefits Consortium, a public entity risk and insurance purchasing pool, currently operates to provide health insurance (insurance purchasing pool) and dental coverage (public entity risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Medical Mutual of Ohio to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, CoreSource. Participating member district's pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.



*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 19 - INSURANCE PURCHASING POOL**

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan* – The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 20 - SET-ASIDE CALCULATIONS**

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

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2002	(\$137,672)	\$0
Current Year Set-aside Requirement	189,720	189,720
Current Year Offsets	0	(41,393)
Qualifying Disbursements	(166,173)	(191,440)
Totals	(114,125)	(43,113)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$114,125)	\$0
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. Although the School District had qualifying disbursements during the year that reduced the set-aside amounts to below zero for capital acquisition, this extra amount may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

*Ripley Union Lewis Huntington Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**NOTE 21 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the forms of grants. The expenditure 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, 2003.

**B. Litigation**

The School District is currently not party to legal proceedings.

**NOTE 23 – SUBSEQUENT EVENT**

In August, 2003 the Ripley Union Lewis Huntington Board of Education and the Ohio School Facilities Commission approved amending the aforementioned project agreement to a new total of \$29 million. The current elementary school will be replaced with a new building, rather than remodeling the old building built in 1932, at an additional cost of \$3.9 million. The current Jr./Sr. High School remodeling project was revised to include thru-wall flashing, roof replacement, and steel reinforcements at an additional cost of \$2.9 million. The increases in cost will be shared 93% state, 7% local.

**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$39,753	\$0	\$46,944
School Breakfast Program	05-PU-02	10.553	4,644	0	4,644	0
	05-PU-03	10.553	31,329	0	31,329	0
			35,973	0	35,973	0
National School Lunch Program	LL-P4-02	10.555	17,844	0	17,844	0
	LL-P4-03	10.555	115,149	0	115,149	0
			132,993	0	132,993	0
Total U.S. Department of Agriculture - Nutrition Cluster			<b>168,966</b>	<b>39,753</b>	<b>168,966</b>	<b>46,944</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1-02	84.010	6,759	0	58,637	0
	C1-S1-03	84.010	331,416	0	341,043	0
			338,175	0	399,680	0
Special Education - Grants to States	6B-SF-02	84.027	1,440	0	23,891	0
	6B-SF-03	84.027	117,986	0	121,951	0
			119,426	0	145,842	0
Safe and Drug -Free Schools and Communities-State Grants	DR-S1-03	84.186	6,896	0	9,920	0
	DR-S1-02	84.186	6,896	0	663	0
			6,896	0	10,583	0
Goals 2000-State and Local Education	G2-S2-01	84.276	0	0	18,686	0
	G2-S2-01	84.276	0	0	12,643	0
			0	0	31,329	0
Eisenhower Professional Development State Grants	MS-S1-02	84.281	0	0	223	0
Innovative Educational Program Strategies	C2-S1-02	84.298	0	0	257	0
	C2-S1-03	84.298	8,517	0	8,419	0
			8,517	0	8,676	0
Technology Literacy Challenge Fund Grants	TJ-S1-03	84.318	8,856	0	7,774	0
	ATS1-02	84.318	0	0	10,221	0
Total Literacy Challenge Fund Grants			8,856	0	17,995	0
School Renovation Grants	ATS2-02	84.352	30,335	0	30,335	0
	ATS3-02	84.352	14,479	0	14,495	0
	ATS4-02	84.352	1,327	0	1,323	0
			46,141	0	46,153	0
Rural Education	RUS1-03	84.358	5,125	0	4,881	0
			5,125	0	4,881	0
Improving Teacher Quality State Grant	TRS1-03	84.367	71,558	0	68,998	0
	TRS1-02	84.340	0	0	22,930	0
			71,558	0	91,928	0
Learn and Serve America School	G2-SV-02	94.004	0	0	2,309	0
	SV-S5-03	94.004	30,000	0	27,764	0
			30,000	0	30,073	0
Total Ohio Department of Education			<b>634,694</b>	<b>0</b>	<b>787,363</b>	<b>0</b>
<b>Totals</b>			<b>\$803,660</b>	<b>\$39,753</b>	<b>\$956,329</b>	<b>\$46,944</b>

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

**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Non-monetary 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. Federal 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, 2003, the District had an insignificant amount of food commodities in their inventory.



**Auditor of State  
Betty Montgomery**

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

Ripley Union Lewis Huntington Local School District  
Brown County  
120 Main Street  
Ripley, Ohio 45167

To the Board of Education:

We have audited the financial statements of Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated March 17, 2004. 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 17, 2004

Ripley Union Lewis Huntington Local School District  
Brown County  
Independent Accountants' Report 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, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 17, 2004



**Auditor of State  
Betty Montgomery**

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

Ripley Union Lewis Huntington Local School District  
Brown County  
120 Main Street  
Ripley, Ohio 45167

To the Board of Education:

**Compliance**

We have audited the compliance of Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the 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 fiscal year ended June 30, 2003. The 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 District's management. Our responsibility is to express an opinion on the 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

**Internal Control Over Compliance**

The management of the 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 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, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 17, 2004



**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-10408-001	Finding for Recovery	No	Partially repaid
2002-10408-002	Purchasing procedures	Yes	No longer valid





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT**

**BROWN 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  
APRIL 8, 2004**