

Ripley Union Lewis Huntington Local School District

Brown County

Single Audit

July 1, 2004 Through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Board of Education  
Ripley Union Lewis Huntington Local School District  
120 Main Street  
Ripley, Ohio 45167-1232

We have reviewed the *Independent Auditor's Report* of the Ripley Union Lewis Huntington Local School District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ripley Union Lewis Huntington Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 27, 2006

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**Ripley Union Lewis Huntington Local School District**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
Ripley Union Lewis Huntington Local School District  
120 Main Street  
Ripley, Ohio 45167

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ripley Union Lewis Huntington Local School District (the District), Brown County, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position thereof, and the respective budgetary comparison for the General fund and Food Service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Independent Auditor's Report  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

July 27, 2006

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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As management of the Ripley Union Lewis Huntington Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of Ripley Union Lewis Huntington Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. Ripley Union Lewis Huntington Local School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* issued June 1999.

**Financial Highlights**

- The assets of the Ripley Union Lewis Huntington Local School District exceeded its liabilities at June 30, 2005 by \$33,539,663. Of this amount, \$350,753 may be used to meet the School District's ongoing financial obligations. The remaining amount represents capital assets net of related debt and net assets amounts restricted for specific purposes.
- The School District's net assets decreased by \$1,668,334 during this fiscal year's operations.
- General revenues accounted for \$9,077,401 or 78 percent of all revenues. Program specific revenues in the form of charges for services, sales, grants, contributions and interest accounted for \$2,509,410 or 22 percent of total revenues of \$11,586,811.
- The School District had \$13,255,145 in expenses related to governmental activities; only \$2,509,410 of these expenses were offset by program specific charges for services, sales, grants, contributions and interest.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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### **Using the Basic Financial Statements**

This report consists of a series of financial statements and the notes to those statements. These statements are organized so the reader can understand Ripley Union Lewis Huntington Local School District as a whole, an entire operating entity.

The *statement of net assets* and *statement of activities* provides information about the activities of the School District as a whole, and present a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other major funds presented in total in one column. The major funds for the Ripley Union Lewis Huntington Local School District are the General, Food Service, Bond Retirement, and Construction Funds.

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during 2005?" The *statement of net assets* and the *statement of activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

**Fiduciary Funds** - The School District's fiduciary fund is an agency fund. We exclude this activity from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2005 and 2004:

(Table 1)  
Net Assets

	Governmental Activities	
	2005	2004 (Restated)
<b>Assets</b>		
Current and Other Assets	\$8,225,988	\$19,480,232
Capital Assets	35,705,489	25,760,250
Total Assets	43,931,477	45,240,482
 <b>Liabilities</b>		
Long-Term Liabilities	4,838,246	5,295,728
Other Liabilities	5,553,568	4,736,757
Total Liabilities	10,391,814	10,032,485
 <b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	31,943,649	21,650,727
Restricted	1,245,261	13,412,433
Unrestricted	350,753	144,837
Total Net Assets	\$33,539,663	\$35,207,997

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Total assets decreased by \$1,309,005. This was due to a current asset decrease of \$11,254,244 resulting from a decrease in the School Facilities receivable and cash which was spent on the construction of the new school construction projects. A net increase in capital assets of \$9,945,239 resulted from the \$11,929,598 in 2005 construction expenditures for assets placed into service combined with decreases of \$901,764 for asset disposals (demolition of the old Elementary School building) and depreciation of \$1,082,595.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services, sales, restricted grants, contributions and interest. General Revenues include taxes, unrestricted grants, such as State foundation support, gifts and donations, investment earnings and miscellaneous revenues.

(Table 2)  
Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$539,280	\$645,819
Operating Grants, Contributions and Interest	1,964,130	1,718,448
Capital Grants and Contributions	6,000	4,273,128
Total Program Revenues	2,509,410	6,637,395
General Revenues:		
Property Taxes	2,276,094	2,175,175
Grants and Entitlements not Restricted to Specific Programs	6,515,253	6,785,427
Gifts and Donations	1,800	0
Investment Earnings	193,553	132,772
Miscellaneous	90,701	18,196
Total General Revenues	9,077,401	9,111,570
Total Revenues	\$11,586,811	\$15,748,965

*(continued)*

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
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(Table 2)  
Change in Net Assets  
(continued)

	Governmental Activities 2005	Governmental Activities 2004
<b>Program Expenses</b>		
Instruction:		
Regular	\$5,451,918	\$4,355,034
Special	1,533,632	1,251,446
Vocational	639,016	528,200
Adult/Continuing	1,973	0
Support Services:		
Pupils	332,489	280,150
Instructional Staff	826,182	743,077
Board of Education	127,901	156,727
Administration	945,345	902,624
Fiscal	332,655	277,324
Operation and Maintenance of Plant	982,510	854,454
Pupil Transportation	819,883	799,188
Central	97,264	97,964
Operation of Non-Instructional Services:		
Food Services	618,122	486,417
Other	25,020	22,299
Extracurricular Activities	329,756	263,401
Intergovernmental	28,408	27,280
Interest and Fiscal Charges	163,071	175,245
Total Expenses	<u>13,255,145</u>	<u>11,220,830</u>
Increase (Decrease) in Net Assets	(\$1,668,334)	\$4,528,135
Net Assets, beginning of year	<u>35,207,997</u>	<u>30,679,862</u>
Net Assets, end of year	<u><u>\$33,539,663</u></u>	<u><u>\$35,207,997</u></u>

The decrease in enrollment caused a decrease of \$106,539 in charges for services and sales, and \$270,174 in unrestricted grants and entitlements. Capital grants and contributions decreased \$4,267,128 due to the construction projects being in the final stages.

Operating grants, contributions and interest increased by \$245,682 primarily due to aggressive applications for operating grants for programs. Investment Earnings increased \$60,781 due to the construction projects being under budgeted costs which resulted in larger cash balances. Miscellaneous Revenue increased by \$72,505 primarily due to refunds received.

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Expenses increased by \$2,034,315 from the prior year. A loss of \$867,774 on the demolished old Elementary School building and disposal of old equipment was allocated to the programs along with an increase of \$566,311 in depreciation related to the new school buildings. The two largest program increases were for regular and special instruction. Expenses for regular instruction activities increased by \$1,096,884. This includes a \$514,310 loss on disposal and depreciation of \$539,616. Special instruction expenses increased by \$282,186. This includes the loss on disposal of \$115,270 and depreciation of \$115,430. Wages, benefits, materials and equipment costs increased significantly from the prior year in all programs.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services, sales, grants, contributions and interest offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees, interest and donations.

(Table 3)  
Governmental Activities

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Instruction	\$7,626,539	\$6,134,680	\$6,036,241	\$4,653,271
Support Services	4,464,229	4,111,508	4,139,629	3,838,666
Operation of Non- Instructional Services	643,142	508,716	125,007	(3,076)
Extracurricular Activities	329,756	263,401	280,403	148,409
Intergovernmental	28,408	27,280	1,384	(1,002)
Interest and Fiscal Charges	163,071	175,245	163,071	175,245
<b>Total Expenses</b>	<b>\$13,255,145</b>	<b>\$11,220,830</b>	<b>\$10,745,735</b>	<b>\$8,811,513</b>

**The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,300,731 and expenditures of \$23,796,532. The net change in fund balance for the fiscal year was most significant in the Construction Fund, with a decrease of \$5,912,313 and the General Fund, with a decrease of \$590,485. These decreases were caused primarily by the cost to construct and renovate the buildings in the School District.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2005, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$430 below the final budgeted amount in the General Fund.

For the General Fund, budget basis actual revenues were \$9,042,653 with original budget estimates of \$9,451,936. This represents a reduction of \$409,283 which was primarily due to intergovernmental revenue.

Original budgeted expenditures in the General Fund were \$9,989,150 and final budgeted expenditures were \$10,087,060. The decrease of \$97,910 was primarily due to instructional expenditures which decreased as a result of the decrease in foundation revenues caused by the lower enrollment. The final appropriation budget was approved on the last day of the fiscal year.

**Capital Assets and Debt Administration**

***Capital Assets***

The Ripley Union Lewis Huntington Local School District's investment in capital assets as of June 30, 2005 was \$35,705,489. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004:

(Table 4)  
Capital Assets at June 30  
(Net of Depreciation)  
Governmental Activities

	2005	2004 (Restated)
Land	\$289,313	\$289,313
Construction in Progress	0	15,738,014
Buildings and Improvements	34,184,266	9,128,580
Furniture and Equipment	986,283	279,619
Vehicles	245,627	324,724
Totals	\$35,705,489	\$25,760,250

Net capital assets increased \$9,945,239 from the prior year. This is mainly due to the construction of the building projects.

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The School District's capital assets were revalued on June 30, 2005. Both the existing 2004 assets and the new 2005 assets were included in the new asset valuation. The financial statement asset values at June 30, 2004 were adjusted to match the amounts in the new valuation reports.

For more information on capital assets, refer to Note 8 to the basic financial statements.

**Debt**

At June 30, 2005 the School District had \$3,704,808 in bonds and notes outstanding, as well as \$23,475 of accretion on capital appreciation bonds outstanding. \$452,816 of the bonds and notes outstanding represent the amounts due within one year. Table 5 summarizes bonds and notes outstanding:

(Table 5)  
Outstanding Debt, at Fiscal Year-end  
Governmental Activities

	2005	2004
General Obligation Bonds:		
1998 School Improvement Refunding Bonds 3.95%-5.05%	\$1,279,992	\$1,514,992
1998 School Improvement Bonds 4.75%-5.05%	925,000	1,005,000
2003 Classroom Facilities Bonds 2.0%-9.914%	1,437,000	1,497,000
Accretion on Capital Appreciation Bonds	23,475	14,475
General Obligation Notes:		
2000 Vehicle Acquisition Notes 5.30%	62,816	122,453
Totals	\$3,728,283	\$4,153,920

The School District's overall legal debt margin was \$5,017,416, and the unvoted debt margin was \$87,188 at June 30, 2005.

For more information on debt, refer to note 14 to the basic financial statements.

**Current Financial Issues and Concerns**

Ripley Union Lewis Huntington School District is at another crossroads in its history. The new middle school and the new elementary school were opened January 2005. The high school remodel was complete in the summer of 2005. The School District will have state of the art buildings and equipment for its preschool through 12<sup>th</sup> grade programs. The challenge that the School District will face is creating an operational budget for the new facilities at a point when the enrollment is declining and the State revenue increases are low or non-existent. We have 113,455 additional square feet to heat and cool. The School District had to increase the services budget by \$450,000 to cover utilities, phone, and janitorial/building services. This does not include new staff or new maintenance agreements.

***Ripley Union Lewis Huntington Local School District***  
Management's Discussion and Analysis  
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Unaudited

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The School District is dependent on outside factors for future success. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system of school funding, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. It is widely accepted that schools with low property values are unable to provide students equitable education as compared with students who attend districts with large numbers of taxpayers and high property values.

Ohio is over-dependent on property values to fund school districts. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio. Efforts to alleviate this problem should benefit Ripley Union Lewis Huntington Schools because our property valuation is very low. While a significant increase from the State would be welcome, our forecasts do not take this possibility into account. We only anticipate a small increase in State revenue each fiscal year as we are currently on the guarantee due to declining enrollment.

The Ripley Union Lewis Huntington Local School District's Board of Education and the administration will be required to plan carefully and prudently to provide resources to meet student needs over the next several years. Currently, the Board has established a "hiring freeze" to allow the School District time to assess the actual cost to operate the new buildings. The Board and administration is poised to make decisions necessary to balance the budget. They plan to meet the challenges of the future and to provide the best educational opportunities to its children.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Vivian Armour, Treasurer, at Ripley Union Lewis Huntington Local School District, 120 Main Street, Ripley, Ohio 45167.

**Ripley Union Lewis Huntington Local School District**

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,751,466
Cash and Cash Equivalents with Escrow Agents	402,047
Materials and Supplies Inventory	55,002
Accrued Interest Receivable	2,461
Accounts Receivable	14,742
Intergovernmental Receivable	286,176
Prepaid Items	35,932
Taxes Receivable	2,135,194
Deferred Charges	10,908
Investments With Fiscal Agents	532,060
Capital Assets:	
Land	289,313
Depreciable Capital Assets, Net	<u>35,416,176</u>
<i>Total Assets</i>	<u>43,931,477</u>
<b>Liabilities</b>	
Accounts Payable	10,491
Accrued Wages and Benefits	825,118
Contracts Payable	2,315,820
Intergovernmental Payable	271,266
Vacation Benefits Payable	69,963
Accrued Interest Payable	9,233
Early Retirement Incentive Payable	26,604
Retainage Payable	402,047
Deferred Revenue	1,623,026
Long-Term Liabilities:	
Due Within One Year	504,056
Due in More Than One Year	<u>4,334,190</u>
<i>Total Liabilities</i>	<u>10,391,814</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	31,943,649
Restricted for:	
Capital Projects	123,636
Debt Service	834,225
Other Purposes	287,400
Unrestricted	<u>350,753</u>
<i>Total Net Assets</i>	<u><u>\$33,539,663</u></u>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$5,451,918	\$280,946	\$641,326	\$6,000	(\$4,523,646)
Special	1,533,632	0	570,588	0	(963,044)
Vocational	639,016	4,161	87,277	0	(547,578)
Adult/Continuing	1,973	0	0	0	(1,973)
Support Services:					
Pupils	332,489	0	43,022	0	(289,467)
Instructional Staff	826,182	0	135,952	0	(690,230)
Board of Education	127,901	0	0	0	(127,901)
Administration	945,345	0	104,556	0	(840,789)
Fiscal	332,655	0	0	0	(332,655)
Operation and Maintenance of Plant	982,510	4,210	1,381	0	(976,919)
Pupil Transportation	819,883	0	30,479	0	(789,404)
Central	97,264	0	5,000	0	(92,264)
Operation of Non-Instructional Services:					
Food Services	618,122	198,777	306,684	0	(112,661)
Other	25,020	1,833	10,841	0	(12,346)
Extracurricular Activities	329,756	49,353	0	0	(280,403)
Intergovernmental	28,408	0	27,024	0	(1,384)
Interest and Fiscal Charges	163,071	0	0	0	(163,071)
<b>Total Governmental Activities</b>	<b>\$13,255,145</b>	<b>\$539,280</b>	<b>\$1,964,130</b>	<b>\$6,000</b>	<b>(10,745,735)</b>
General Revenues:					
Property Taxes Levied for:					
General Purposes					1,757,848
Debt Service					481,414
Capital Outlay					36,832
Grants and Entitlements not					
Restricted to Specific Programs					6,515,253
Gifts and Donations					1,800
Investment Earnings					193,553
Miscellaneous					90,701
<b>Total General Revenues</b>					<b>9,077,401</b>
<b>Change in Net Assets</b>					<b>(1,668,334)</b>
<b>Net Assets Beginning of Year - Restated (see Note 3)</b>					<b>35,207,997</b>
<b>Net Assets End of Year</b>					<b>\$33,539,663</b>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2005

	General Fund	Food Service Fund	Bond Retirement Fund	Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$848,653	\$93,330	\$732,850	\$2,763,838	\$312,795	\$4,751,466
Materials and Supplies Inventory	32,007	9,181	0	0	13,814	55,002
Accrued Interest Receivable	2,461	0	0	0	0	2,461
Accounts Receivable	6,518	0	0	0	8,224	14,742
Interfund Receivable	64,977	0	0	0	0	64,977
Intergovernmental Receivable	11,853	0	0	133,077	141,246	286,176
Prepaid Items	34,703	0	0	0	1,229	35,932
Property Taxes Receivable	1,652,504	0	448,353	0	34,337	2,135,194
Restricted Assets:						
Cash and Cash Equivalents with Escrow Agent	0	0	0	402,047	0	402,047
Investments with Fiscal Agents	532,060	0	0	0	0	532,060
<b>Total Assets</b>	<b>\$3,185,736</b>	<b>\$102,511</b>	<b>\$1,181,203</b>	<b>\$3,298,962</b>	<b>\$511,645</b>	<b>\$8,280,057</b>
<b>Liabilities</b>						
Accounts Payable	\$6,485	\$0	\$0	\$0	\$4,006	\$10,491
Accrued Wages and Benefits	704,779	19,292	0	0	101,047	825,118
Contracts Payable	74,601	0	0	2,241,219	0	2,315,820
Intergovernmental Payable	240,843	13,960	0	0	16,463	271,266
Vacation Benefits Payable	69,963	0	0	0	0	69,963
Early Retirement Incentive Payable	26,604	0	0	0	0	26,604
Payable from Restricted Assets:						
Retainage Payable	0	0	0	402,047	0	402,047
Interfund Payable	0	0	0	0	64,977	64,977
Deferred Revenue	1,376,151	0	368,697	133,077	67,354	1,945,279
<b>Total Liabilities</b>	<b>2,499,426</b>	<b>33,252</b>	<b>368,697</b>	<b>2,776,343</b>	<b>253,847</b>	<b>5,931,565</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	589,369	0	0	1,518,386	13,897	2,121,652
Reserved for Property Taxes	263,318	0	75,795	0	5,702	344,815
Reserved for Capital Improvements	532,060	0	0	0	0	532,060
Unreserved:						
Undesignated, Reported in:						
General Fund (Deficit)	(698,437)	0	0	0	0	(698,437)
Special Revenue Funds	0	69,259	0	0	238,199	307,458
Debt Service Fund	0	0	736,711	0	0	736,711
Capital Projects Funds (Deficit)	0	0	0	(995,767)	0	(995,767)
<b>Total Fund Balances</b>	<b>686,310</b>	<b>69,259</b>	<b>812,506</b>	<b>522,619</b>	<b>257,798</b>	<b>2,348,492</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,185,736</b>	<b>\$102,511</b>	<b>\$1,181,203</b>	<b>\$3,298,962</b>	<b>\$511,645</b>	<b>\$8,280,057</b>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005

**Total Governmental Fund Balances** \$2,348,492

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	289,313	
Other Capital Assets	42,436,895	
Accumulated depreciation	<u>(7,020,719)</u>	
Total capital assets		35,705,489

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Deferred revenues changed by these amounts:

Delinquent property taxes	143,834	
Intergovernmental	167,995	
Interest	157	
Tuition and fees	<u>10,267</u>	
		322,253

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.

10,908

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and Notes Payable	(3,704,808)	
Accretion on bonds	(23,475)	
Accrued interest on bonds	(9,233)	
Capital leases	(600,000)	
Compensated absences	<u>(509,963)</u>	
		<u>(4,847,479)</u>

**Net Assets of Governmental Activities** \$33,539,663

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005

	General Fund	Food Service Fund	Bond Retirement Fund	Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$1,744,771	\$0	\$477,698	\$0	\$36,547	\$2,259,016
Intergovernmental	6,964,321	305,152	33,024	5,637,288	1,259,911	14,199,696
Interest	69,837	1,532	0	134,628	61	206,058
Tuition and Fees	271,323	0	0	0	17,564	288,887
Rent	6,043	0	0	0	0	6,043
Extracurricular Activities	0	0	0	0	49,353	49,353
Gifts and Donations	1,800	0	0	0	0	1,800
Customer Sales and Services	0	198,777	0	0	0	198,777
Miscellaneous	38,813	18	0	0	52,270	91,101
<b>Total Revenues</b>	<b>9,096,908</b>	<b>505,479</b>	<b>510,722</b>	<b>5,771,916</b>	<b>1,415,706</b>	<b>17,300,731</b>
<b>Expenditures</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,969,868	0	0	0	438,871	4,408,739
Special	821,812	0	0	0	476,621	1,298,433
Vocational	527,108	0	0	0	36,444	563,552
Adult/Continuing	73	0	0	0	1,900	1,973
<b>Support Services:</b>						
Pupils	276,931	0	0	0	5,373	282,304
Instructional Staff	656,966	0	0	0	175,034	832,000
Board of Education	128,197	0	0	0	0	128,197
Administration	755,877	0	0	0	93,371	849,248
Fiscal	275,917	0	14,187	0	1,094	291,198
Operation and Maintenance of Plant	980,293	0	0	0	1,928	982,221
Pupil Transportation	756,415	0	0	0	12,673	769,088
Central	94,383	0	0	0	5,000	99,383
<b>Operation of Non-Instructional Services:</b>						
Food Services	0	522,944	0	0	0	522,944
Other	78	0	0	0	24,884	24,962
Extracurricular Activities	117,324	0	0	0	53,527	170,851
Capital Outlay	245,369	0	0	11,684,229	0	11,929,598
Intergovernmental	0	0	0	0	28,603	28,603
<b>Debt Service:</b>						
Principal Retirement	23,000	0	434,637	0	0	457,637
Interest and Fiscal Charges	29,122	0	126,479	0	0	155,601
<b>Total Expenditures</b>	<b>9,658,733</b>	<b>522,944</b>	<b>575,303</b>	<b>11,684,229</b>	<b>1,355,323</b>	<b>23,796,532</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(561,825)</b>	<b>(17,465)</b>	<b>(64,581)</b>	<b>(5,912,313)</b>	<b>60,383</b>	<b>(6,495,801)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Capital Assets	37,485	0	0	0	0	37,485
Transfers In	0	0	66,145	0	0	66,145
Transfers Out	(66,145)	0	0	0	0	(66,145)
<b>Total Other Financing Sources (Uses)</b>	<b>(28,660)</b>	<b>0</b>	<b>66,145</b>	<b>0</b>	<b>0</b>	<b>37,485</b>
<b>Net Change in Fund Balances</b>	<b>(590,485)</b>	<b>(17,465)</b>	<b>1,564</b>	<b>(5,912,313)</b>	<b>60,383</b>	<b>(6,458,316)</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,276,795</b>	<b>86,724</b>	<b>810,942</b>	<b>6,434,932</b>	<b>197,415</b>	<b>8,806,808</b>
<b>Fund Balances at End of Year</b>	<b>\$686,310</b>	<b>\$69,259</b>	<b>\$812,506</b>	<b>\$522,619</b>	<b>\$257,798</b>	<b>\$2,348,492</b>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
 Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2005

**Net Change in Fund Balances - Total Governmental Funds** (\$6,458,316)

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	11,929,598	
Depreciation expense	(1,082,595)	
Excess of capital outlay under depreciation expense		10,847,003

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

Proceeds from Sale of Capital Assets	(37,485)	
Loss on Disposal of Capital Assets	(864,279)	
		(901,764)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed this year by:

Delinquent Property Taxes	17,078	
Intergovernmental	(5,716,306)	
Interest	(10,912)	
Tuition and Fees	(3,780)	
		(5,713,920)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount consisted of:

Bond and Note Payments	434,637	
Capital lease payments	23,000	
Total long-term debt repayment		457,637

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	2,076	
Decrease in compensated absences payable	8,845	
Decrease in intergovernmental payable	99,651	
Current year amortization of issuance costs	(546)	
Accretion on bonds	(9,000)	
Total (increase)/decrease		101,026

**Change in Net Assets of Governmental Activities** (\$1,668,334)

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$1,584,214	\$1,722,754	\$1,722,754	\$0
Intergovernmental	7,477,421	6,957,183	6,957,183	0
Interest	75,759	70,488	70,048	(440)
Tuition and Fees	291,208	270,947	270,947	0
Rent	6,495	6,043	6,043	0
Gifts and Donations	1,935	1,800	1,800	0
Miscellaneous	14,904	13,868	13,878	10
<i>Total Revenues</i>	<u>9,451,936</u>	<u>9,043,083</u>	<u>9,042,653</u>	<u>(430)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,673,804	3,973,002	3,973,002	0
Special	844,378	817,465	817,465	0
Vocational	526,813	510,022	510,022	0
Adult/Continuing	75	73	73	0
Support Services:				
Pupils	284,221	275,162	275,162	0
Instructional Staff	672,578	651,141	651,141	0
Board of Education	132,223	128,009	128,009	0
Administration	771,109	746,531	746,531	0
Fiscal	283,510	274,474	274,474	0
Operation and Maintenance of Plant	1,014,695	982,354	982,354	0
Pupil Transportation	778,319	753,512	753,512	0
Central	97,920	94,799	94,799	0
Operation of Non-Instructional Services:				
Other	81	78	78	0
Extracurricular Activities	118,334	114,562	114,562	0
Capital Outlay	737,252	713,754	713,754	0
Debt Service:				
Principal Retirement	23,757	23,000	23,000	0
Interest and fiscal charges	30,081	29,122	29,122	0
<i>Total Expenditures</i>	<u>9,989,150</u>	<u>10,087,060</u>	<u>10,087,060</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(537,214)</u>	<u>(1,043,977)</u>	<u>(1,044,407)</u>	<u>(430)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	37,485	37,485	0
Refund of Prior Year Expenditures	0	24,935	24,935	0
Advances In	0	234,834	234,834	0
Transfers Out	(66,145)	(66,145)	(66,145)	0
Advances Out	(264,452)	(264,452)	(264,452)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(330,597)</u>	<u>(33,343)</u>	<u>(33,343)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(867,811)	(1,077,320)	(1,077,750)	(430)
<i>Fund Balance at Beginning of Year</i>	1,045,148	1,045,148	1,045,148	0
<i>Prior Year Encumbrances Appropriated</i>	<u>799,641</u>	<u>799,641</u>	<u>799,641</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$976,978</u>	<u>\$767,469</u>	<u>\$767,039</u>	<u>(\$430)</u>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Food Service Fund  
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$277,351	\$247,045	\$247,045	\$0
Interest	956	1,499	1,532	33
Customer Sales and Services	210,206	198,777	198,777	0
Miscellaneous	0	18	18	0
<i>Total Revenues</i>	488,513	447,339	447,372	33
<b>Expenditures</b>				
Current:				
Operation of Non-Instructional Services:				
Food Services	488,513	458,035	458,035	0
<i>Net Change in Fund Balance</i>	0	(10,696)	(10,663)	33
<i>Fund Balance Beginning of Year</i>	103,993	103,993	103,993	0
<i>Fund Balance End of Year</i>	\$103,993	\$93,297	\$93,330	\$33

See accompanying notes to the basic financial statement

**Ripley Union Lewis Huntington Local School District**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2005

	<u>Student Managed Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$56,178</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$56,178</u>

See accompanying notes to the basic financial statements

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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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 Local School District, Aberdeen in Huntington Township became a part of the School District. With the addition of 325 students, the Aberdeen Elementary School was reopened and the new Ripley Union Lewis Huntington Local School District (the "School District") began to grow.

In 1990, the School District passed a 6.5 mill levy to build a state of the art junior/senior high school. This new building opened in January of 1994, and housed grades 7 – 12. The \$8 million facility included a 2,000 seat gymnasium, computer connectivity, and many new programs.

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 School District submitted an application to the Ohio School Facilities Commission based on a ten-year eligibility list. The approved \$22,245,074 school classroom facilities grant included new elementary and middle school buildings, and significant upgrades of the heating, ventilating and air conditioning systems in the existing high school building.

As a requirement of the grant, the voters in the School District passed a levy 1.45 mill levy on November 6, 2001 to fund the 7% local construction match and continued maintenance (.5 mill). On August 29, 2002 the School District issued \$1,557,000 in School Improvement Bonds which will be in effect for twenty three years.

The two new buildings opened in January, 2005. Grades Pre-K through 4 are housed at the new Ripley Elementary School. Grades 5 through 8 are housed at the new Aberdeen Middle School. Grades 9 through 12 are housed at the remodeled Ripley High School. Finish work and the demolition of the old school building (former Elementary building) were completed in the summer of 2005. Remodeling work on the High School will continue through the summer of 2006.

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 continue to promote development and a dynamic future for schools.

***Ripley Union Lewis Huntington Local School District***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

*(continued)*

Ripley Union Lewis Huntington Local 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 serves an area of 91 square miles. It is located in Brown County, including all of the Villages of Ripley, Aberdeen and Higginsport, and portions of surrounding townships. The Board of Education controls the School District's three instructional support facilities staffed by 55 non-certificated and 98 teaching personnel and 12 administrative employees providing education to 1,339 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.

The following activities are included within the reporting entity:

*Parochial School* - 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 parochial school by the Treasurer of the School District, as directed by the parochial school. This financial activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

***Ripley Union Lewis Huntington Local School District***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

*(continued)*

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 Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

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

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

**A. Basis Of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

*Government-wide Financial Statements:*

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements:*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District fall within two categories: governmental and fiduciary.

*Governmental Funds:*

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

***Ripley Union Lewis Huntington Local School District***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

The following are the School District's major governmental funds:

*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.

*Food Service Fund* – The Food Service Fund is a special revenue fund used to account for all revenue and expenditures associated with the school breakfast and school lunch programs.

*Bond Retirement Fund* – The Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

*Construction Fund* – The Construction Fund is a capital projects fund used to account for all intergovernmental monies, debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities.

The other governmental funds of the School District account for grants and other resources, and capital projects of the School District, whose use is restricted to a particular purpose.

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for those student activities which consist of a student body, student president, student treasurer and a faculty advisor.

**C. Measurement Focus**

*Government-wide Financial Statements:*

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement on net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

*Fund Financial Statements:*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Nonexchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources will be collectible 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 fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

***Ripley Union Lewis Huntington Local School District***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

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, customer sales, student fees, grants and accrued interest.

*Deferred Revenue:*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures:*

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District utilizes a financial institution to hold monies to be used for construction of the new school buildings. The balance in this account is presented on the financial statements as "Restricted Assets: Investments with Fiscal Agents" and represents unspent capital lease proceeds. The School District also utilizes an escrow agent to hold retainage on construction contracts. The monies are presented as "Cash and Cash Equivalents with Escrow Agent" on the balance sheet.

During fiscal year 2005, the School District's investments were limited to certificates of deposit, funds invested in the State Treasury Asset Reserve of Ohio (STAROhio), money market mutual funds and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$69,837 which includes \$52,514 assigned from other School District funds.

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 presented on the financial statements as cash and cash equivalents.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

**H. Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5 - 75 years
Furniture and Equipment	4 - 20 years
Vehicles	3 - 25 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable.” These amounts are eliminated in the governmental activities column of the statement of net assets.

**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.

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

The School District offers an early retirement incentive for employees who retire in the year they are first eligible. Eligible employees may choose the greater of either a \$10,000 lump-sum payment or 100% of the per diem value of their accumulated sick leave greater than the maximum. When earned, the incentive is paid over two fiscal years. The unpaid incentive amount is reported as “Early Retirement Incentive Payable” in the fund from which the employee is paid.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, notes and capital leases that will be paid from governmental funds are recognized as an expenditure and a liability on the governmental fund financial statements when due.

**L. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transactions are eliminated on the Statement of Activities.

**M. Issuance Costs/Compounded Interest on Capital Appreciation Bonds**

Issuance costs are deferred and amortized over the term of the capital lease using the straight line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the fiscal year. Compounded interest on the capital appreciation bonds is presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for capital improvements represents amounts which may only be expended for the school building and renovation capital improvement projects.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and State grants restricted to expenditure for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$1,245,261 of restricted net assets, of which \$949,485 are restricted by enabling legislation.

**P. 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.

**Q. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations at the function and object level without a resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget amount on the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS**

**A. Changes in Accounting Principles**

For fiscal year 2005, the School District has implemented *GASB Statement No. 40, “Deposit and Investment Risk Disclosures”*, *GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”* and *GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers”*.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the School District’s financial statements for fiscal year 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2, addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing, multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no material effect on the School District’s financial statements for the fiscal year 2005.

**B. Restatement of Prior Year Net Assets**

For fiscal year 2005, it was discovered that an increase in the intergovernmental receivables related to the Ohio School Facilities Construction Grant had not been recorded in a prior year. In addition, the School District’s capital assets were revalued on June 30, 2005 and the capital asset policy was changed to include grouped items as capitalized assets.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS** *(continued)*

The following table summarizes the effect of the restatements on the financial statements at June 30, 2004:

	<u>Governmental Activities</u>
Net Assets, June 30, 2004 as reported	\$29,993,681
Restatement of Capital Assets	986,238
Restatement of Intergovernmental Receivable	<u>4,228,078</u>
Net Assets, June 30, 2004 as restated	<u><u>\$35,207,997</u></u>

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and the Food Service Special Revenue Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING** (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Food Service Special Revenue Fund.

	Net Change in Fund Balances	
	General Fund	Food Service Fund
GAAP Basis	(\$590,485)	(\$17,465)
Adjustments:		
Revenue Accruals	(29,320)	(58,107)
Expenditure Accruals	184,706	64,909
Encumbrances	(613,033)	0
Advances	(29,618)	0
Budget Basis	<u>(\$1,077,750)</u>	<u>(\$10,663)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits necessary to meet current demands on the School District's 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.

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS** *(continued)*

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;
4. Bonds and other obligations of State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,641,021 of the School District's bank balance of \$2,041,021 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS** *(continued)*

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$3,099,482	Average 33 Days
Allegiant Government Money Market Mutual Fund	2,060	Average 90 Days
Repurchase Agreements	530,000	Less than two years
Total Investments	<u>\$3,631,542</u>	

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

Credit Risk

STAROhio and the Allegiant Government Money Market Mutual Fund both carry ratings of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has no investment policy that limits the magnitude of investment in a single issuer.

***Ripley Union Lewis Huntington Local School District***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS** *(continued)*

The District has invested in STAROhio, Money Market Mutual Funds, and Repurchase Agreements. Investments in STAROhio and Repurchase Agreements individually comprise more than 5 percent of the School District's total investments. STAROhio investments comprise 85% of investments, while Repurchase Agreements contribute 14% of total investments.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

**NOTE 6 - 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 year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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.

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

**NOTE 6 - PROPERTY TAXES** (continued)

assets and twenty-three 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 2005 tangible personal property tax was not received until July 2005.

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, 2005, are available to finance fiscal year 2005 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, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and 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 receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2005, was \$263,318 in the General Fund, \$75,795 in the Bond Retirement Debt Service Fund, and \$5,702 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2004, was \$223,011 in the General Fund, \$64,381 in the Bond Retirement Debt Service Fund, and \$4,864 in the Classroom Facilities Special Revenue Fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$77,628,420	90.21%	\$78,943,030	90.54%
Public Utility Personal	5,419,200	6.30%	5,628,240	6.46%
Tangible Personal Property	3,005,965	3.49%	2,616,535	3.00%
Total Assessed Value	<u>\$86,053,585</u>	<u>100.00%</u>	<u>\$87,187,805</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.35		\$35.55	

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005, consisted of property taxes, accounts, interfund, accrued interest and intergovernmental grants. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
School Facilities Project Grant	\$133,077
School Foundation Adjustments	1,964
Brown Co. ESC-Summer Recreation Program	553
U.S. Marines ROTC Reimbursements	3,713
Southern Ohio ESC Refund	5,623
Student Intervention Grant	20,518
Title VI Idea Part-B Grant	30,615
Title I Targeted Assistance Grant	36,307
Title IV-A Safe, Drug Free Schools	4,837
Title II-A Class Size Reduction Grant	48,829
Title II-D Technology Grant	140
Total Intergovernmental Receivables	<u><u>\$286,176</u></u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 6/30/04	Additions	Deductions	Balance 6/30/05
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$289,313	\$0	\$0	\$289,313
Construction in Progress	15,738,014	11,929,598	(27,667,612)	0
Total Capital Assets, Not Being Depreciated	<u>16,027,327</u>	<u>11,929,598</u>	<u>(27,667,612)</u>	<u>289,313</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	14,419,226	26,849,474	(1,820,469)	39,448,231
Furniture and Equipment	1,390,132	818,138	(447,262)	1,761,008
Vehicles	1,261,426	0	(33,770)	1,227,656
Total Capital Assets, Being Depreciated	<u>17,070,784</u>	<u>27,667,612</u>	<u>(2,301,501)</u>	<u>42,436,895</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,290,646)	(919,867)	946,548	(5,263,965)
Furniture and Equipment	(1,110,513)	(83,631)	419,419	(774,725)
Vehicles	(936,702)	(79,097)	33,770	(982,029)
Total Accumulated Depreciation	<u>(7,337,861)</u>	<u>(1,082,595) *</u>	<u>1,399,737</u>	<u>(7,020,719)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,732,923</u>	<u>26,585,017</u>	<u>(901,764)</u>	<u>35,416,176</u>
Governmental Activities Capital Assets, Net	<u>\$25,760,250</u>	<u>\$38,514,615</u>	<u>(\$28,569,376)</u>	<u>\$35,705,489</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$539,616
Special	115,430
Vocational	49,989
Support Services:	
Pupils	24,656
Instructional Staff	7,203
Administration	62,362
Fiscal	23,037
Operation and Maintenance of Plant	9,462
Pupil Transportation	78,423
Food Service Operations	59,671
Extracurricular Activities	112,746
Total Depreciation Expense	<u>\$1,082,595</u>

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 9 - 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. In 2005, 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 \$250 deductible for comprehensive coverage and a \$500 deductible for collision coverage. 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 2005, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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. Each fiscal year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

**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 school districts. Medical coverage is purchased 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 care 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.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 10 - 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 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004 and 2003 were \$173,017, \$158,285, and \$135,442 respectively; 52.43 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**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, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 10 - PENSION PLANS** (continued)

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, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003 were \$629,282, \$608,411, and \$636,943 respectively; 83.79 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$6,765 made by the School District and \$14,037 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (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 retirees who participated in the DB or Combined Plans and their 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. All 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, 2005, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$48,406 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$79,858.

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, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 12 - 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. This vacation time is to be used within the following fiscal year. 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 215 days for teachers and administrators, and 200 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 53.75 days for teachers and administrators, and a maximum of 50 days for classified employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies.

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In fiscal year 2004, the School District entered into a lease-purchase agreement for the construction of the finish work on the new elementary school, the middle school and renovations to the high school. The School District is leasing the project from the Columbus Regional Airport Authority (formerly Rickenbacker Port Authority). Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority has assigned National City Bank as trustee. National City Bank deposited \$642,000 in the School District's name with a fiscal agent for the construction and renovations. Amounts will be paid to contractors by the School District as the work progresses. The School District will then submit the invoices to the agent for reimbursement. The School District will make semi-annual lease payments to U.S. Bank. The interest rate is fixed at 4.808%. The lease is renewable annually and expires in 2023. The intention of the School District is to renew the lease annually.

In fiscal year 2005, the school district made the second scheduled payment of \$23,000. The outstanding principal amount on the lease at June 30, 2005 is \$600,000.

The assets acquired through capital lease are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
School Buildings	\$642,000	\$16,050	\$625,950

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE** (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Total Payments
2006	\$51,523
2007	51,778
2008	51,919
2009	51,947
2010	51,919
2011-2015	257,861
2016-2020	253,447
2021-2023	149,372
Total	919,766
Less: Amount Representing Interest	(319,766)
Present Value of Minimum Lease Payments	<u>\$600,000</u>

**NOTE 14- LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

<u>Governmental Activities</u>	Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05	Amounts Due in One Year
General Obligation Bonds:					
School Improvement Refunding Bonds					
2/12/1998 3.95% - 5.05%	\$1,514,992	\$0	\$235,000	\$1,279,992	\$245,000
School Improvement Bonds					
7/1/1998 4.75% - 5.05%	1,005,000	0	80,000	925,000	85,000
2003 Classroom Facilities:					
Serial Bonds 2.0% to 3.9%	675,000	0	60,000	615,000	60,000
Term Bonds 4.6% to 4.9%	755,000	0	0	755,000	0
Capital Appreciation Bonds 9.914%	67,000	0	0	67,000	0
Accretion on Capital Appreciation Bonds	14,475	9,000	0	23,475	0
Total General Obligation Bonds	4,031,467	9,000	375,000	3,665,467	390,000
Vehicle Acquisition Notes					
12/1/2000 5.30%	122,453	0	59,637	62,816	62,816
Capital Lease Payable	623,000	0	23,000	600,000	23,000
Compensated Absences	518,808	29,257	38,102	509,963	28,240
Total Governmental Activities Long-Term Obligations	<u>\$5,295,728</u>	<u>\$38,257</u>	<u>\$495,739</u>	<u>\$4,838,246</u>	<u>\$504,056</u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

***School Improvement Refunding Bonds***

In January, 1991, the School District issued \$3,188,000 in School Improvement Bonds for the construction of a new high school building and the renovation of the existing high school building to be used as the elementary school. The bonds were issued for a twenty-three year period with final maturity in December 2014.

On February 12, 1998, the School District issued \$2,749,992 in School Improvement Refunding Bonds to defease the 1991 general obligation bonds by entering into an escrow agreement with Star Bank. The bonds were issued for a seventeen year period with final maturity on December 1, 2014. The bonds will be paid from the Bond Retirement Fund. All the original defeased 1991 bonds were retired as of December 1, 2001.

***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 bonds will be paid from the Bond Retirement Fund.

***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 Bond Retirement 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>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

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 2005, the capital appreciation bonds were accreted \$9,000.

The total outstanding bond value at fiscal year-end was \$1,460,475. The total bond value at final maturity will be \$1,730,000.

***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 Bond Retirement Fund.

The School District's overall legal debt margin was \$5,017,416 with an unvoted debt margin of \$87,188 at June 30, 2005.

All general obligation debt is supported by the full faith and credit of the School District.

Compensated absences will be paid from the General, Food Service, Auxiliary Services, Title VI-B, Title I, and Title II Funds.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2005, are as follows:

**School Improvement Bonds**

Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$330,000	\$49,498	\$379,498
2007	232,901	142,076	374,977
2008	231,095	144,257	375,352
2009	229,487	145,990	375,477
2010	219,870	145,607	365,477
2011-2015	961,639	746,464	1,708,103
Total	<u>\$2,204,992</u>	<u>\$1,373,892</u>	<u>\$3,578,884</u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

**NOTE 14 - LONG-TERM OBLIGATIONS** *(continued)*

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
2006	\$60,000	\$55,170	\$0	\$0	\$0	\$0	\$115,170
2007	60,000	53,820	0	0	0	0	113,820
2008	65,000	52,191	0	0	0	0	117,191
2009	65,000	50,306	0	0	0	0	115,306
2010	70,000	48,160	0	0	0	0	118,160
2011-2015	295,000	167,013	0	0	24,526	91,434	577,973
2016-2020	0	0	255,000	90,745	42,474	189,446	577,665
2021-2025	0	0	500,000	63,565	0	0	563,565
Total	<u>\$615,000</u>	<u>\$426,660</u>	<u>\$755,000</u>	<u>\$154,310</u>	<u>\$67,000</u>	<u>\$280,880</u>	<u>\$2,298,850</u>

Vehicle Acquisition Notes

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	<u>\$62,816</u>	<u>\$3,329</u>	<u>\$66,145</u>

**NOTE 15 - 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). The BMRDD paid the cost of constructing an early childhood center on School District Property. The valuation at the time of its completion was \$794,027 and this amount has been included in the assets of the School District. In consideration for the BMRDD's funding of the project, the School District receives \$1.00 per year as an annual lease payment for use of the land that was provided for construction. If the School District terminates the lease, it will be required to reimburse BMRDD for a prorated amount of the original \$794,027 in funding provided by BMRDD, over the remainder of the unused lease term, as agreed upon by the leasing parties. The School District also agrees to insure the building against loss by fire or other casualty.

**Ripley Union Lewis Huntington Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 16 – INTERFUND ACITVITY**

**A. Interfund Transfers**

Transfers made during the year ended June 30, 2005, were as follows:

		Transfer From General
Transfer To	Bond Retirement Fund	<u>\$66,145</u>

Unrestricted balances were transferred to pay the annual Vehicle Acquisition Note payment in the Bond Retirement Debt Service Fund.

**B. Interfund Receivables/Payables**

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable General
Payable	All Other Governmental Funds	<u>\$64,977</u>

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the other governmental funds.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**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 Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia 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 school 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 \$74,966 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**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. The School District paid \$115,955 to Hopewell during the fiscal year. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, Ohio, 45177.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

**Brown County Schools Benefits Consortium**

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) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objective of the consortium is 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 School District 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.

**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 an 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.

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the change in the fiscal 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, 2004	(\$127,021)	\$0
Current Year Set-Aside Requirement	197,018	197,018
Current Year Offsets	0	(38,531)
Qualifying Disbursements	(193,054)	(238,933)
Totals	<u>(\$123,057)</u>	<u>(\$80,446)</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>
Required Set-aside Balances Carried Forward to FY 2006	<u>(\$123,057)</u>	<u>\$0</u>

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 fiscal 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 fiscal 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 Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

**NOTE 21 - CONSTRUCTION COMMITMENTS**

The School District contracted for the design and construction of a new elementary school, a new middle school and modifications to the existing high school building. The remaining finish work on all projects is anticipated to be completed in the 2006 fiscal year. All amounts are listed as contracts payable. The outstanding construction commitments at June 30, 2005 are:

<u>Contractor</u>	<u>Total Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 6/30/05</u>
<u>New Ripley Elementary School</u>			
Atkins & Stang	\$435,335	\$407,343	\$27,992
C & T Design and Equipment	242,810	231,389	11,421
Cincy Fire Protection	121,613	119,564	2,049
Cinfab, Inc.	1,104,658	1,084,035	20,623
Crace Construction Co.	2,362,447	2,297,375	65,072
George Steel	566,637	509,815	56,822
Kerkan Roofing	443,587	414,331	29,256
M & D Blacktop Sealing	125,685	0	125,685
Mardis & Meehan Construction	3,297,978	3,012,966	285,012
Perfection Mechanical	524,421	477,337	47,084
Spectrum Control Systems, Inc.	129,190	121,178	8,012
Steed Hammond Paul, Inc.	782,235	736,196	46,039
Sunesis Construction Co.	705,902	681,429	24,473
Thomas Popp Electric	928,255	849,801	78,454
<u>New Aberdeen Middle School</u>			
Atkins & Stang	406,360	378,993	27,367
Avenue Fabricating, Inc.	624,790	611,599	13,191
C & T Design and Equipment	216,289	207,673	8,616
Cincinnati Dayton Fire	103,190	101,287	1,903
Feldcamp Enterprises, Inc.	1,559,398	1,490,827	68,571
Kerkan Roofing	438,511	416,970	21,541
Spectrum Control Systems, Inc.	128,296	119,849	8,447
Steed Hammond Paul, Inc.	608,491	593,279	15,212
Stephen Gross & Sons, Inc.	2,745,836	2,690,326	55,510
Sunesis Construction Co.	721,582	707,374	14,208
T & C Construction	1,669,077	1,591,859	77,218
West End Electric Co.	1,068,822	1,048,957	19,865
<u>Ripley High School Renovations</u>			
Feldcamp Enterprises, Inc.	222,960	211,489	11,471
Kerkan Roofing, Inc.	606,550	0	606,550
Lang Masonry	97,900	91,657	6,243
Mardis & Meehan Construction	468,710	204,853	263,857
Spectrum Control Systems, Inc.	87,386	81,643	5,743
Steed Hammond Paul, Inc.	245,107	223,047	22,060
Stephen Gross & Sons, Inc.	387,853	377,682	10,171
West End Electric Co.	154,126	153,956	170
	<u>\$24,331,987</u>	<u>\$22,246,079</u>	<u>\$2,085,908</u>

*Ripley Union Lewis Huntington Local School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form 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, 2005.

**B. Litigation**

The School District is currently party to legal proceedings.

In October 2004, the Ohio School Facilities Commission and the School District filed suit in the Common Pleas Court of Brown County, Ohio against numerous contractors demanding repayment for the faulty High School Building roof. This suit has not been settled.

Ripley Union Lewis Huntington Local School District  
Brown County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Donation Program	NA	10.550	\$0	\$58,107	\$0	\$58,107
School Breakfast Program	05-PU	10.553	55,687	0	55,687	0
National School Lunch Program	LL-P4	10.555	177,655	0	177,655	0
Total Nutrition Cluster			233,342	58,107	233,342	58,107
Team Nutrition Grants	NA	10.574	0	0	3,376	0
Total United States Department of Agriculture			233,342	58,107	236,718	58,107
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1	84.010	391,600	0	376,526	0
Special Education_Grants to States	6B-SF	84.027	306,147	0	273,255	0
Safe & Drug-Free Schools and Communities_State Grants	DR-S1	84.186	4,837	0	9,674	0
State Grants for Innovative Programs	C2-S1	84.298	6,377	0	6,377	0
Education Technology State Grants	TJ-S1	84.318	195,360	0	192,475	0
Rural Education	RU-S1	84.358	8,902	0	3,626	0
Improving Teacher Quality - State Grants	TR-S1	84.367	89,213	0	86,391	0
Total United States Department of Education			1,002,436	0	948,324	0
<b>Corporation for National and Community Servi</b>						
Learn and Serve America_School and Community Based Programs	SV-S1	94.004	30,000	0	30,000	0
Learn and Serve America_School and Community Based Programs	SV-HS	94.004A	39,800	0	39,800	0
Total Corporation for National and Community Service			69,800	0	69,800	0
<b>Total Federal Financial Assistanc</b>			<b>\$1,305,578</b>	<b>\$58,107</b>	<b>\$1,254,842</b>	<b>\$58,107</b>

NA - Pass Through Entity Number is Not Available  
See Accompanying Notes to the Schedule of Federal Awards Expenditures

Ripley Union Lewis Huntington Local School District  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2005

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD NUTRITION CLUSTER**

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

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

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

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Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards***

Members of the Board

Ripley Union Lewis Huntington Local School District

120 Main Street

Ripley, Ohio 45167

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2005 and have issued our report thereon dated July 27, 2006, wherein we noted the District adopted Governmental Accounting Standards Board Statement numbers 40 and 46, and GASB Technical Bulletin 2004-2. 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.

**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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Ripley Union Lewis Huntington Local School District  
Brown County  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit Performed in Accordance  
with *Governmental Auditing Standards*  
Page 2

We noted a certain matter than we reported to the management of the District in a separate letter dated July 27, 2006.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

July 27, 2006

# BALESTRA, HARR & SCHERER, CPAs, INC.

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## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of the Board  
Ripley Union Lewis Huntington Local School District  
120 Main Street  
Ripley, Ohio 45167

### **Compliance**

We have audited the compliance of the Ripley Union Lewis Huntington Local School District (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 year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 of 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 year ended June 30, 2005.

### **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 reportable 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 caused by error or fraud 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 solely for the information and use of the audit committee, management, members of the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
July 27, 2006

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
 BROWN COUNTY  
 JUNE 30, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR'S RESULTS**

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

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY  
JUNE 30, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**Auditor of State  
Betty Montgomery**

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**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  
OCTOBER 10, 2006**