



# **Balestra, Harr & Scherer, CPAs, Inc.**

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT  
BROWN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# Dave Yost • Auditor of State

Board of Education  
Ripley Union Lewis Huntington Local School District  
502 S. Second Street  
Ripley, Ohio 45167

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, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 28, 2014

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**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT**  
*Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013  
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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board of Education  
Ripley Union Lewis Huntington Local School District  
502 S. Second Street  
Ripley, Ohio 45167

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ripley Union Lewis Huntington Local School District, Brown County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 20 to the financial statements, during 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, change in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) also presents 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 also not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
November 25, 2013



**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
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 fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements to enhance their understanding of the School District's performance.

**Financial Highlights**

- Net position of governmental activities decreased \$678,700.
- General cash receipts accounted for \$9,090,956 or 75 percent of all cash receipts. Program specific cash receipts in the form of charges for services, sales, grants, and contributions accounted for \$3,061,901 or 25 percent of total governmental cash receipts.
- The School District had \$12,831,557 in cash disbursements and a special item related to governmental activities; only \$3,061,901 of these cash disbursements and a special item were offset by program specific charges for services, sales, grants, contributions and interest.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

**Report Components**

The *Statement of Net Position – Cash Basis* and *Statement of Activities- Cash Basis* provide information about the activities of the School District as a whole.

Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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

### **Statement of Net Position and Statement of Activities**

The statement of net position and the statement of activities reflect how the District did financially during 2013, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the District's cash position and the changes in cash position. It is important to note that fiduciary funds are not included in these statements. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, the School District has one type of activity; governmental.

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

#### **Fund Financial Statements**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. 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 most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Construction Fund.

**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 fiscal year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities due to transfers and advances netted on the statement of activities. See Note 2 to the basic financial statements for more information.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds include a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's Student Managed Activities and college scholarship donations. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2012:

(Table 1)  
Net Position - Cash Basis  
Governmental Activities

	2013	2012	Change
<b>Assets</b>			
Current Assets	\$4,081,349	\$4,760,049	(\$678,700)
Total Assets	<u>4,081,349</u>	<u>4,760,049</u>	<u>(678,700)</u>
<b>Net Position</b>			
Restricted	2,174,955	3,330,594	(1,155,639)
Unrestricted	<u>1,906,394</u>	<u>1,429,455</u>	<u>476,939</u>
Total Net Position	<u><u>\$4,081,349</u></u>	<u><u>\$4,760,049</u></u>	<u><u>(\$678,700)</u></u>

Current assets decreased due to cash disbursements exceeding cash receipts. See Table 2 for addition information regarding the School District's cash receipts and cash disbursements.

Table 2 shows the highlights of the School District's cash receipts and cash disbursements. These two main components are subtracted to yield the change in net position. Table 2 provides a comparison between fiscal years 2013 and 2012.

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

(Table 2)  
Change in Net Position  
Governmental Activities

	2013	2012*	Change
<b>Cash Receipts</b>			
Program Cash Receipts:			
Charges for Services and Sales	\$557,095	\$502,421	\$54,674
Operating Grants and Contributions	2,504,806	2,815,256	(310,450)
Total Program Cash Receipts	<u>3,061,901</u>	<u>3,317,677</u>	<u>(255,776)</u>
General Cash Receipts:			
Property Taxes	2,422,013	2,417,195	4,818
Grants and Entitlements not Restricted to Specific Programs	6,516,739	6,411,403	105,336
Investment Earnings	5,862	6,686	(824)
Refunding Bonds Issued	0	835,000	(835,000)
Premium on Refunding Bonds	0	64,177	(64,177)
Insurance Recoveries	20,693	0	20,693
Gifts and Donations not Restricted to Specific Programs	20,277	6,819	13,458
Proceeds from Sale of Capital Assets	64,159	2,607	61,552
Miscellaneous	41,213	120,799	(79,586)
Total General Cash Receipts	<u>9,090,956</u>	<u>9,864,686</u>	<u>(773,730)</u>
Total Cash Receipts	<u><u>\$12,152,857</u></u>	<u><u>\$13,182,363</u></u>	<u><u>(\$1,029,506)</u></u>

(continued)

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

(Table 2)  
Change in Net Position  
Governmental Activities  
(continued)

	2013	2012*	Change
<b>Program Cash Disbursements</b>			
Instruction:			
Regular	\$4,396,324	\$4,898,595	(\$502,271)
Special	1,254,112	1,333,820	(79,708)
Vocational	426,069	423,865	2,204
Student Intervention Services	139,015	196,725	(57,710)
Support Services:			
Pupils	470,342	387,540	82,802
Instructional Staff	572,403	682,053	(109,650)
Board of Education	111,234	115,614	(4,380)
Administration	868,007	875,604	(7,597)
Fiscal	340,234	298,681	41,553
Operation and Maintenance of Plant	1,152,647	1,067,498	85,149
Pupil Transportation	697,761	651,886	45,875
Central	77,411	82,251	(4,840)
Operation of Non-Instructional Services	617,814	548,298	69,516
Extracurricular Activities	170,997	174,086	(3,089)
Debt Service:			
Principal	340,723	317,650	23,073
Interest and Fiscal Charges	191,361	197,778	(6,417)
Payment to Refunding Bond Escrow Agent	0	873,261	(873,261)
Issuance Costs	0	25,916	(25,916)
<b>Total Program Cash Disbursements</b>	<b>11,826,454</b>	<b>13,151,121</b>	<b>(1,324,667)</b>
Special Item:			
Refund of Prior Year Grant Receipts	(1,005,103)	0	(1,005,103)
Increase (Decrease) in Net Position	(678,700)	31,242	(709,942)
Net Position at Beginning of Year	4,760,049	4,728,807	31,242
Net Position at End of Year	\$4,081,349	\$4,760,049	(\$678,700)

\* Certain reclassifications were made to 2012 amounts to be consistent with current year reporting. These reclassifications had no effect on net position.

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 60 percent of cash receipts for governmental activities. Property Tax Receipts made up 20 percent of the total cash receipts for a total of 80 percent of the School Districts cash receipts. Operating grants and contributions decreased due to decreased revenue in the Education Jobs Program.

Regular instruction comprises 37 percent of governmental program cash disbursements. Regular Instruction, student intervention and instructional staff decreased due to less monies received in the Education Jobs program, the Early Childhood program and the Miscellaneous Grants program which resulted in less expenditures.

The statement of activities shows the cost of program services and the charges for services, sales, grants, and contributions 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, and donations.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 3 provides a comparison between fiscal years 2013 and 2012.

(Table 3)  
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012*
Instruction	\$6,215,520	\$5,400,815	\$6,853,005	\$4,855,868
Support Services	4,290,039	3,608,290	4,161,127	3,585,620
Operation of Non- Instructional Services	617,814	(80,280)	548,298	(63,957)
Extracurricular Activities	170,997	39,819	174,086	41,308
Debt Service:				
Principal	340,723	340,723	317,650	317,650
Interest and Fiscal Charges	191,361	191,361	197,778	197,778
Payment to Refunding Bond Escrow Agent	0	0	873,261	873,261
Issuance Costs	0	0	25,916	25,916
<b>Total Expenses</b>	<b>\$11,826,454</b>	<b>\$9,500,728</b>	<b>\$13,151,121</b>	<b>\$9,833,444</b>

\* Certain reclassifications were made to 2012 amounts to be consistent with current year reporting. These reclassifications had no effect on net position.

**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$12,365,354 and cash disbursements, other financing uses and a special item of \$13,044,054. The net change in fund balance for the fiscal year was an increase of \$476,939 in the General Fund which was primarily due to advances out being less and receipts being more than disbursements in current year than in prior year. The net change in fund balances for the fiscal year in the Bond Retirement Fund and the Construction Fund were a decrease of \$58,071 and a decrease of \$1,003,948, respectively. The decrease in the Construction Fund is primarily due to a return of previously received grant funds.

**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 2012, 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 \$41 above as the final budgeted amount in the General Fund and was \$878,051 above the original budgeted amount.

For the General Fund, original budgeted receipts were \$9,680,910 and final budgeted receipts were \$10,072,215. This represents an increase in estimated receipts of \$391,305, which was primarily due to an increase in intergovernmental revenue and property taxes. There was a \$41 difference between the actual budget basis receipts and final budgeted receipts.

Original budgeted disbursements in the General Fund were \$10,215,056 and final budgeted expenditures were \$9,728,351. This represents an decrease in estimated expenditures of \$486,705, which was primarily due to an decrease in regular instruction. The difference between actual budget basis expenditures and final budgeted expenditures was \$0. Prior to fiscal year-end, the School District passed a supplemental appropriation that matched appropriations to expenditures and encumbrances for the fiscal year.

**Ripley Union Lewis Huntington Local School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2013  
 Unaudited

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**Capital Assets and Debt**

***Capital Assets***

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had no capital outlay disbursements during fiscal year 2013.

***Debt***

At June 30, 2013 the School District had \$1,193,846 in bonds outstanding. \$319,495 of the bonds outstanding represents the amounts due within one year. Table 4 summarizes bonds outstanding:

(Table 4)  
 Outstanding Debt, at Fiscal Year-end  
 Governmental Activities

	2013	2012*
General Obligation Bonds:		
1998 School Improvement Refunding Bonds 3.95%-5.05%	\$181,846	\$282,569
1998 School Improvement Bonds 4.75%-5.05%	125,000	245,000
2003 Classroom Facilities Bonds 2.0%-9.914%	67,000	142,000
2012 Classroom Facilities Refunding Bonds 0.6%-28.19%	820,000	835,000
Totals	\$1,193,846	\$1,504,569

\* - Restated - See Note 11

The School District's overall legal debt margin was \$7,366,360, and the unvoted debt margin was \$95,113 at June 30, 2013.

For more information on debt, refer to Note 11 to the basic financial statements.

**Current Financial Issues and Concerns**

The challenge that the School District has faced is maintaining an operational budget for the facilities at a point when enrollment is declining and State revenues are uncertain. The District has 284,780 square feet of building space. Utilities and services costs are projected to continue to increase.

State revenues are approximately 75% of this District's projected General operational revenues, thus variations in the State budget significantly impact our overall educational program. Changes in the State economy and pending legal disputes could affect the School District's revenues next year. The State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2013 will be dependent upon changes in the State's biennial budget for fiscal year 2014. Due to the economic conditions within the State and the anticipated shortfall in tax revenues in the next biennial budget, the level at which the State will fund schools is uncertain and subject to change.

The Ripley Union Lewis Huntington Local School District's Board of Education and Administration will be required to plan carefully and prudently to provide resources to meet student needs over the next several years. The Board and Administration are poised to make decisions necessary to balance the budget. We plan to meet the challenges of the future and to provide the best opportunities to our students.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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**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 Adam Zink, Treasurer, at Ripley Union Lewis Huntington Local School District, 502 South Second Street, Ripley, Ohio 45167.

**Ripley Union Lewis Huntington Local School District**

*Statement of Net Position - Cash Basis*

*June 30, 2013*

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	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,081,349</u>
<i>Total Assets</i>	<u>4,081,349</u>
NET POSITION:	
Restricted for:	
Debt Service	818,454
Capital Projects	864,976
Food Service Operations	187,080
Classroom Facilities Maintenance	165,626
Other Purposes	138,819
Unrestricted	<u>1,906,394</u>
<i>Total Net Position</i>	<u><u>\$4,081,349</u></u>

The notes to the basic financial statements are an integral part of this statement.



**Ripley Union Lewis Huntington Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2013

	Cash Disbursements	Program Cash Receipts		Net (Cash Disbursements)
		Charges for Services and Sales	Operating Grants and Contributions	Cash Receipts and Changes in Net Position Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,396,324	\$149,821	\$130,311	(\$4,116,192)
Special	1,254,112	29,712	1,077,294	(147,106)
Vocational	426,069	15,019	53,702	(357,348)
Student Intervention Services	139,015	48	122,835	(16,132)
Support Services:				
Pupils	470,342	14,820	44,531	(410,991)
Instructional Staff	572,403	13,654	165,131	(393,618)
Board of Education	111,234	3,921	-	(107,313)
Administration	868,007	24,340	158,400	(685,267)
Fiscal	340,234	11,449	1,279	(327,506)
Operation and Maintenance of Plant	1,152,647	34,934	144,213	(973,500)
Pupil Transportation	697,761	24,189	10,297	(663,275)
Central	77,411	2,729	-	(74,682)
Operation of Non-Instructional Services	617,814	147,378	550,716	80,280
Extracurricular Activities	170,997	85,081	46,097	(39,819)
Debt Service:				
Principal	340,723	-	-	(340,723)
Interest and Fiscal Charges	191,361	-	-	(191,361)
<i>Total Governmental Activities</i>	<u>\$11,826,454</u>	<u>\$557,095</u>	<u>\$2,504,806</u>	<u>(8,764,553)</u>
<b>General Cash Receipts</b>				
Property Taxes Levied for:				
General Purposes				2,005,312
Capital Outlay				38,729
Debt Service				377,972
Grants and Entitlements not Restricted to Specific Programs				
Investment Earnings				5,862
Insurance Recoveries				20,693
Gifts and Donations not Restricted to Specific Programs				20,277
Proceeds from Sale of Capital Assets				64,159
Miscellaneous				41,213
<i>Total General Cash Receipts</i>				9,090,956
Special Item:				
Refund of Prior Year Grant Receipts				(1,005,103)
<i>Total General Revenues and Special Item</i>				8,085,853
<i>Change in Net Position</i>				(678,700)
<i>Net Position at Beginning of Year</i>				4,760,049
<i>Net Position at End of Year</i>				<u>\$4,081,349</u>

The notes to the basic financial statements are an integral part of this statement.

**Ripley Union Lewis Huntington Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2013*

	General	Bond Retirement	Construction	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,906,394	\$ 818,454	\$ 864,976	\$ 491,525	\$ 4,081,349
<i>Total Assets</i>	<u>\$ 1,906,394</u>	<u>\$ 818,454</u>	<u>\$ 864,976</u>	<u>\$ 491,525</u>	<u>\$ 4,081,349</u>
<b>FUND BALANCES:</b>					
Restricted	\$ -	\$ 818,454	\$ 864,976	\$ 491,525	\$ 2,174,955
Committed	10,365	-	-	-	10,365
Assigned	177,825	-	-	-	177,825
Unassigned	1,718,204	-	-	-	1,718,204
<i>Total Fund Balances</i>	<u>\$ 1,906,394</u>	<u>\$ 818,454</u>	<u>\$ 864,976</u>	<u>\$ 491,525</u>	<u>\$ 4,081,349</u>

The notes to the basic financial statements are an integral part of this statement.

**Ripley Union Lewis Huntington Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Bond Retirement	Construction	All Other Governmental Funds	Total Governmental Funds
<b>CASH RECEIPTS:</b>					
Property Taxes	\$ 2,005,312	\$ 377,972	\$ -	\$ 38,729	\$ 2,422,013
Intergovernmental	7,216,306	58,787	-	1,746,297	9,021,390
Interest	4,418	-	1,155	289	5,862
Tuition and Fees	323,896	-	-	-	323,896
Rent	765	-	-	-	765
Extracurricular Activities	28,905	-	-	56,176	85,081
Gifts and Donations	20,277	-	-	155	20,432
Customer Sales and Services	-	-	-	147,353	147,353
Miscellaneous	26,736	-	-	14,477	41,213
<i>Total Cash Receipts</i>	<u>9,626,615</u>	<u>436,759</u>	<u>1,155</u>	<u>2,003,476</u>	<u>12,068,005</u>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Instruction:					
Regular	4,250,301	-	-	146,023	4,396,324
Special	842,908	-	-	411,204	1,254,112
Vocational	426,069	-	-	-	426,069
Student Intervention Services	1,370	-	-	137,645	139,015
Support Services:					
Pupils	420,442	-	-	49,900	470,342
Instructional Staff	387,362	-	-	185,041	572,403
Board of Education	111,234	-	-	-	111,234
Administration	690,509	-	-	177,498	868,007
Fiscal	324,792	14,009	-	1,433	340,234
Operation and Maintenance of Plant	991,046	-	-	161,601	1,152,647
Pupil Transportation	686,223	-	-	11,538	697,761
Central	77,411	-	-	-	77,411
Operation of Non-Instructional Services	697	-	-	617,117	617,814
Extracurricular Activities	119,342	-	-	51,655	170,997
Debt Service:					
Principal Retirement	30,000	310,723	-	-	340,723
Interest and Fiscal Charges	21,263	170,098	-	-	191,361
<i>Total Cash Disbursements</i>	<u>9,380,969</u>	<u>494,830</u>	<u>-</u>	<u>1,950,655</u>	<u>11,826,454</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>245,646</u>	<u>(58,071)</u>	<u>1,155</u>	<u>52,821</u>	<u>241,551</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Proceeds from Sale of Capital Assets	64,159	-	-	-	64,159
Advances In	179,469	-	-	33,028	212,497
Insurance Recoveries	20,693	-	-	-	20,693
Advances Out	(33,028)	-	-	(179,469)	(212,497)
<i>Total Other Financing Sources and Uses</i>	<u>231,293</u>	<u>-</u>	<u>-</u>	<u>(146,441)</u>	<u>84,852</u>
Special Item:					
Refund of Prior Year Grant Receipts	-	-	(1,005,103)	-	(1,005,103)
<i>Net Change in Fund Balances</i>	476,939	(58,071)	(1,003,948)	(93,620)	(678,700)
<i>Fund Balances at Beginning of Year</i>	<u>1,429,455</u>	<u>876,525</u>	<u>1,868,924</u>	<u>585,145</u>	<u>4,760,049</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,906,394</u>	<u>\$ 818,454</u>	<u>\$ 864,976</u>	<u>\$ 491,525</u>	<u>\$ 4,081,349</u>

The notes to the basic financial statements are an integral part of this statement.

**Ripley Union Lewis Huntington Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget (Budgetary Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

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	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 9,680,910	\$ 10,072,215	\$ 10,072,256	\$ 41
Total Cash Disbursements and Other Financing Uses	10,215,056	9,728,351	9,728,351	-
Net Change in Fund Balance	(534,146)	343,864	343,905	41
Fund Balance at Beginning of Year	1,059,939	1,059,939	1,059,939	-
Prior Year Encumbrances Appropriated	330,531	330,531	330,531	-
Fund Balance at End of Year	\$ 856,324	\$ 1,734,334	\$ 1,734,375	\$ 41

The notes to the basic financial statements are an integral part of this statement.

**Ripley Union Lewis Huntington Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2013*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 53,941</u>	<u>\$ 64,686</u>
<i>Total Assets</i>	<u>53,941</u>	<u>64,686</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	53,941	-
Unrestricted	<u>-</u>	<u>64,686</u>
<i>Total Net Position</i>	<u><u>\$ 53,941</u></u>	<u><u>\$ 64,686</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Ripley Union Lewis Huntington Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2013*

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	Private Purpose Trust Fund
ADDITIONS:	
Interest	\$ 89
Total Additions	89
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	3,000
Change in Net Position	(2,911)
<i>Net Position Beginning of Year</i>	<u>56,852</u>
<i>Net Position End of Year</i>	<u><u>\$ 53,941</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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 1.45 mill levy on November 6, 2001 to fund the seven percent 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. All of the basic remodeling work on the high school was complete by June 30, 2006.

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 99 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 32 non-certificated and 71 teaching personnel and 11 administrative employees providing education to 1,056 students.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure 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.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support, to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. 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.

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 Council of Governments (SCOCA COG), the Unified Purchasing Cooperative of the Ohio River Valley (UPC), the Brown County Schools Benefits Consortium, and the Cincinnati USA Regional Chamber Ohio Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 16 to the basic financial statements.

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

**Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Fund Accounting**

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. The School District classifies each fund as either governmental or fiduciary.



**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

*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. Cash disbursements are assigned to the fund from which they are paid.

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 not accounted for and reported 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.

*Bond Retirement Fund* – The Bond Retirement Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

*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 major source of revenue for this fund is grant monies received from the Ohio School Facilities Commission.

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

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust fund used to account for college scholarship donations and an agency fund used to account for student activity programs.

**Basis of Presentation**

The School District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net position 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 fiduciary funds.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

The statement of net position-cash basis presents the cash basis financial condition of governmental activities of the School District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the School District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the School District.

**Fund Financial Statements**

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

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**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 sets 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 amounts 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, 2013*

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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. Prior to fiscal year-end, the School District passed a supplemental appropriation that matched appropriations to expenditures and encumbrances for the fiscal year.

**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.

During fiscal year 2013, the School District's investments were limited to certificates of deposit, and funds invested in the State Treasury Asset Reserve of Ohio (STAROhio). Certificates of deposit are recorded at cost.

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, 2013.

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, Construction Fund, and All Other Governmental Funds, during fiscal year 2013 amounted to \$4,418, \$1,155, and \$289, respectively.

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 equivalents.

**Capital Assets and Depreciation**

Capital assets acquired or constructed for the School District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

**Compensated Absences**

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

**Long-Term Obligations**

In general, bonds, long-term loans, and capital leases are not accrued, but rather are recorded as cash disbursements in the basic financial statements when paid. The School District also does not record premiums and accretion of capital appreciation bonds as assets or liabilities in the accompanying financial statements.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

**Net Position**

Net cash position represents the cash assets held by the School District at year end. Net position is 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. Restricted for Other Purposes is comprised of net position restricted for state and federal programs. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available. As of June 30, 2013, of the School District's \$2,174,955 in restricted net position, none was restricted by enabling legislation.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

**Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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 cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. The School District had no extraordinary items. The School District reported one special item for the refund of prior year grant receipts. The School District received notice during fiscal year 2013 that they were required to return \$1,005,103 to the Ohio School Facilities Commission for grant monies that had been received by the School District in prior years, but which were required to be returned.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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 receipts, disbursements and changes in fund balance - budget (budgetary basis) and actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustments necessary to reconcile the cash basis and the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General Fund
Cash Basis (as reported)	\$476,939
Perspective Difference:	
Activity of Funds Reclassified	4,542
Encumbrances	(137,576)
Budget Basis	<u>\$343,905</u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 held by the School District can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The School District maintains a cash pool which is used by all funds.

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.

Deposits

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or 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 105 percent of the deposits being secured.

As of June 30, 2013, the District's bank balance of \$776,682 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments

As of June 30, 2013, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$3,545,015</u>	<u>&lt;1 Year</u>

Interest Rate Risk

The School District's investment policy follows State statute, which 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. The policy further states that no investment shall be made that will cause the average duration of the School District's portfolio to exceed 3.5 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAROhio carries a rating 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. The School District has no investment policy that addresses credit risk.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2013 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.

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$95,555,860	93.04%	\$87,694,270	92.20%
Public Utility Personal	7,150,430	6.96%	7,419,120	7.80%
Total Assessed Value	<u>\$102,706,290</u>	<u>100.00%</u>	<u>\$95,113,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.65		\$34.60	

The School District receives property taxes from Brown County. The Brown County Auditor periodically advances to the School District its portion of the taxes collected.



**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 6 - 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. During fiscal year 2013, the School District contracted with Ohio School Plan for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$52,686,990.

The School District's vehicles are covered by Ohio School Plan and hold a \$250 deductible for comprehensive coverage and a \$500 deductible for collision coverage for autos other than buses. Buses hold a \$1,000 deductible for both comprehensive and collision coverage. Automobile liability has a \$3,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years. The School District evaluated insurance coverages and therefore increased their coverage for the current year.

**B. Workers' Compensation**

For fiscal year 2013, the School District participated in the Cincinnati USA Regional Chamber Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Incorporated provides administrative, cost control, and actuarial services to the GRP.

**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 15) consisting of nine districts. The Consortium has elected to have United Health Care provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions relating to the medical insurance and all claims related to dental of its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS** *(continued)*

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$198,456, \$189,792, and \$226,608, respectively, which equaled the required annual contribution for each year.

**State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS** *(continued)*

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, 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. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$632,508, \$672,336, and \$722,124, respectively; which were equal to the required amounts for those years.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**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, 2013, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$45,179, \$48,024, and \$51,580, for fiscal years 2013, 2012, and 2011, respectively; which is equal to the required amounts for those years.

**School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent, respectively. For the District, contributions for the years ended June 30, 2013, 2012, and 2011, were \$10,490, \$10,167, and \$12,302, which equaled the required contributions for those years.

**Health Care Plan**

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 8 - POSTEMPLOYMENT BENEFITS** *(continued)*

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled \$23,232, \$30,103, and \$46,248, respectively; which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employer/Audit Resources*.

**NOTE 9 - 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-five 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 220 days for teachers and administrators, and 220 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 65 days for teachers and administrators, and a maximum of 55 days for classified employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Lincoln National Life Insurance Company.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**D. Retirement Incentive**

The School District offers a retirement incentive for certified employees who retire in the fiscal year they are first eligible. Eligible employees receive a \$15,000 lump sum payment. The Board may make the payment at the beginning of the next fiscal year.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 10 - 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 PNC Bank (formerly National City Bank) as trustee. PNC Bank deposited \$642,000 in the School District's name with a fiscal agent for the construction and renovations. Amounts were paid to contractors by the School District as the work progressed. The School District then submitted the invoices to the agent for reimbursement. The School District makes semi-annual lease payments to U.S. Bank. The interest rate is fixed at 4.808 percent. The lease is renewable annually and expires in fiscal year 2023. The intention of the School District is to renew the lease annually.

In fiscal year 2013, the School District made the tenth scheduled payment in the amount of \$30,000 and also made interest payments of \$21,263. The outstanding principal amount on the lease at June 30, 2013 is \$388,000.

During fiscal year 2013, the School District entered into a new lease agreement for a bus. The bus lease was in the amount of \$54,064 and is scheduled for payments of \$18,953, including interest for three years.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013.

Fiscal Year Ending June 30,	Total Payments
2014	\$70,803
2015	70,312
2016	69,692
2017	51,037
2018	51,198
2019-2023	<u>249,844</u>
Total	562,886
Less: Amount Representing Interest	<u>(120,822)</u>
Present Value of Minimum Lease Payments	<u><u>\$442,064</u></u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
School Improvement Refunding Bonds					
2/12/1998 3.95% - 5.05%	\$282,569	\$0	\$100,723	\$181,846	\$94,495
School Improvement Bonds					
7/1/1998 4.75% - 5.05%	245,000	0	120,000	125,000	125,000
Classroom Facilities Bonds 9/1/2002:					
Serial Bonds 2.0% to 3.9%	75,000 *	0	75,000	0	0
Capital Appreciation Bonds 9.914%	67,000	0	0	67,000	0
Classroom Facilities Bonds 3/8/2012:					
Serial Bonds 0.6% to 1.0%	115,000	0	15,000	100,000	100,000
Term Bonds 4.6% to 4.9%	710,000	0	0	710,000	0
Capital Appreciation Bonds 28.19%	10,000	0	0	10,000	0
Total General Obligation Bonds	1,504,569	0	310,723	1,193,846	319,495
Capital Leases	418,000	54,064	30,000	442,064	49,568
Total Governmental Activities					
Long-Term Obligations	<u>\$1,922,569</u>	<u>\$54,064</u>	<u>\$340,723</u>	<u>\$1,635,910</u>	<u>\$369,063</u>

\* - Restated as this balance had not been paid off as of June 30, 2012 as previously reported.

***School Improvement Refunding Bonds***

On February 12, 1998, the School District issued \$2,749,992 in School Improvement Refunding Bonds to defease a 1991 general obligation bond issue 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 are being paid from the Bond Retirement Fund. All of 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 are being paid from the Bond Retirement Fund.

***2002 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 2024. The bonds are being retired from the Bond Retirement Fund and the serial bonds were paid off during 2013.

The capital appreciation bonds, issued at \$67,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 through 2017. The maturity amounts of the capital appreciation bonds are \$80,000 in fiscal years 2015 through 2017. For fiscal year 2013, the capital appreciation bonds were accreted \$20,817 for a total of \$142,226.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**NOTE 11 - LONG-TERM OBLIGATIONS** *(continued)*

**2012 Classroom Facilities Bonds**

On March 8, 2012, the School District issued \$835,000 in voted general obligation bonds for the purpose of advance refunding the 2002 Classroom Facilities Bonds. The bonds were issued for a thirteen year period with final maturity in 2025. The bonds are being retired from the Bond Retirement Fund. The School District placed \$873,261 with the refunded escrow agent to purchase U.S. Treasury Securities to be held in an irrevocable escrow account and held until the Refunded Bonds in the amount of \$835,000 are redeemed in December of 2012. As of June 30, 2013, \$820,000 was the outstanding balance on these bonds which are not shown as outstanding in the accompanying debt schedule.

The serial bonds, issued at \$115,000 with maturity dates of December 1, 2012 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, 2013.

The capital appreciation bonds, issued at \$10,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2021. The maturity amount of the capital appreciation bonds is \$100,000. For fiscal year 2013, the capital appreciation bond was accreted \$3,207 for a total of \$3,834.

The School District's overall legal debt margin was \$7,366,360 with an unvoted debt margin of \$95,113 at June 30, 2013.

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

The capital lease obligations are being paid from the General Fund.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

School Improvement Refunding and School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2014	\$219,495	\$148,661	\$368,156
2015	87,351	147,651	235,002
Total	<u>\$306,846</u>	<u>\$296,312</u>	<u>\$603,158</u>

Classroom Facilities Bonds

Fiscal year Ending June 30,	2012 School Facility				2002 School Facility			
	Serial Bonds	Serial Bonds	Term Bonds	Term Bonds	Capital Appreciation	Capital Appreciation	Capital Appreciation	Capital Appreciation
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$100,000	\$15,742	\$0	\$0	\$0	\$0	\$0	\$0
2015	0	0	10,000	15,175	0	0	24,526	59,343
2016	0	0	10,000	15,040	0	0	22,263	53,868
2017	0	0	10,000	14,905	0	0	20,211	59,789
2018	0	0	375,000	56,761	0	0	0	0
2019-2023	0	0	305,000	12,016	10,000	90,000	0	0
Total	<u>\$100,000</u>	<u>\$15,742</u>	<u>\$710,000</u>	<u>\$113,897</u>	<u>\$10,000</u>	<u>\$90,000</u>	<u>\$67,000</u>	<u>\$173,000</u>



**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 12 - 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 Developmental Disabilities (BDD). The BDD paid the cost of constructing an early childhood center on School District Property. The portion of the building that was used by BDD consisted of the Adams/Brown Head Start units. The lease expired during the current fiscal year.

**NOTE 13 - INTERFUND ACTIVITY**

The School District made the following advances during fiscal year 2013:

<u>Interfund Advances</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 179,469	\$ 33,028
Other Governmental Funds	33,028	179,469
Total Advances	<u>\$ 212,497</u>	<u>\$ 212,497</u>

Other Governmental Funds received advances from the General Fund in anticipation of intergovernmental revenues. Advances to the General Fund were for repayment of prior year advances.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association Council of Governments**

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 58 public education entities, 58 non-public education entities, and public libraries from 24 Ohio 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 COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA COG \$125,493 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

**B. Unified Purchasing Cooperative of the Ohio River Valley**

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of 44 public school districts and three joint vocational school districts in Brown, Butler, Clermont and Hamilton Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent. Sixty days prior notice is necessary for withdrawal from the UPC.

Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 15 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County Schools Benefits Consortium**

The Brown County Schools Benefits Consortium, (Consortium) a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared 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) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members' employees and their dependents. The Consortium contracts with United Healthcare to provide medical insurance directly to Consortium member employees. The member districts pay 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's estimates of future claims. If the member districts' dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts 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 the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 16 - INSURANCE PURCHASING POOL**

**Cincinnati USA Regional Chamber Ohio Workers' Compensation Group Rating Plan**

The School District participates in the Cincinnati USA Regional Chamber Workers' Compensation Group Rating Plan (GRP, an insurance purchasing pool. 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.

**NOTE 17 - 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 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 capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	177,239
Current Fiscal Year Offsets	(38,938)
Current Fiscal Year Qualifying Disbursements	<u>(138,301)</u>
Set-aside Balance Carried Forward to Future Years	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2013	<u><u>\$0</u></u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 17 - SET-ASIDE CALCULATIONS** *(continued)*

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount 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.

**NOTE 18 - 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 are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not currently party to any legal proceedings.

**NOTE 19 - COMPLIANCE**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is not in compliance with Ohio law.

The School District was non-compliant with Ohio Revised Code 5705.41(D), expending money before being properly encumbered.

**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2013 the School District implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position. As the District prepares its financial statements on a cash basis, GASB Statement No. 62 and No. 65 had no impact on the financial statements.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**NOTE 21 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for</b>					
Other Purposes	\$0	\$0	\$0	\$109,205	\$109,205
Construction	0	0	864,976	0	864,976
Food Service Operations	0	0	0	187,080	187,080
Classroom Facilities Maintenance	0	0	0	165,626	165,626
Athletics	0	0	0	29,614	29,614
Debt Services Payments	0	818,454	0	0	818,454
Total Restricted	<u>0</u>	<u>818,454</u>	<u>864,976</u>	<u>491,525</u>	<u>2,174,955</u>
<b>Committed to</b>					
Pay to Participate	<u>10,365</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,365</u>
<b>Assigned to</b>					
Other Purposes	<u>177,825</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>177,825</u>
<b>Unassigned (Deficit)</b>					
	<u>1,718,204</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,718,204</u>
Total Fund Balances	<u>\$1,906,394</u>	<u>\$818,454</u>	<u>\$864,976</u>	<u>\$491,525</u>	<u>\$4,081,349</u>

**Ripley Union Lewis Huntington Local School District**  
 Schedule of Federal Awards Receipts & Expenditures  
 For the Fiscal Year Ended June 30, 2013

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>						
School Breakfast Program	3L70	10.553	143,813		143,813	
National School Lunch Program	3L60	10.555	312,746	20,361	312,746	20,361
Total Nutrition Cluster			456,559	20,361	456,559	20,361
Total United States Department of Agriculture			456,559	20,361	456,559	20,361
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	246,549	-	219,017	-
Total Special Education Cluster			246,549	-	219,017	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	437,327	-	438,657	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	1,029	-	-	-
Total Title I, Part A Cluster			438,356	-	438,657	-
<i>Education Technology State Grants Cluster:</i>						
Education Technology State Grants	3S20	84.318	2,547	-	-	-
Total Education Technology State Grants Cluster			2,547	-	-	-
<i>Safe and Drug-Free Schools and Communities - State Grants</i>						
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	3D10	84.186	49,900	-	49,900	-
Twenty-First Century Community Learning Centers	3FD0	84.395	58,174	-	43,316	-
Education Jobs Fund	3Y20	84.287	244,538	-	200,023	-
Improving Teacher Quality State Grants	3ET0	84.410	37,576	-	38,344	-
	3Y60	84.367	116,822	-	94,024	-
Total United States Department of Education			1,194,462	-	1,083,281	-
<b>Total Federal Financial Assistance</b>			<b>1,651,021</b>	<b>20,361</b>	<b>1,539,840</b>	<b>20,361</b>

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

*Ripley Union Lewis Huntington Local School District*  
Brown County

**Notes to the Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2013**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) 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 – CHILD 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 nonmonetary assistance (expenditure) is reported in 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.



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## Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

Members of the Board of Education  
Ripley Union Lewis Huntington Local School District  
502 S. Second Street  
Ripley, Ohio 45167

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ripley Union Lewis Huntington Local School District, Brown County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 25, 2013 wherein we noted the District follows a comprehensive accounting basis other than generally accepted accounting principles and implemented Governmental Accounting Standards Board Statement No. 63.

### Internal Control over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
November 25, 2013





# Balestra, Harr & Scherer, CPAs, Inc.

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## **Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

Members of the Board of Education  
Ripley Union Lewis Huntington Local School District  
502 S. Second Street  
Ripley, Ohio 45167

### ***Report on Compliance for Each Major Federal Program***

We have audited the Ripley Union Lewis Huntington Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Ripley Union Lewis Huntington Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Ripley Union Lewis Huntington Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

***Report on Internal Control over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
November 25, 2013

**Ripley Union Lewis Huntington Local School District  
Brown County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2013**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Twenty-First Century Community Learning Centers - CFDA# 84.287 <u>Child Nutrition Cluster:</u> School Breakfast Program - CFDA# 10.553 National School Lunch Program - CFDA#10.555
(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, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2013**

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

**FINDING NUMBER 2013-001**

**Material Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**Client Response:** The client chose not to respond to the above finding.

**FINDING NUMBER 2013-002**

**Material Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41 (D)** states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

Then and Now Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment or the

**Ripley Union Lewis Huntington Local School District  
Brown County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2013**

**FINDING NUMBER 2013-002 (Continued)**

amount due. The District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 maybe paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

Multiple expenditures were not properly encumbered prior to orders/contracts being made. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The District should certify purchases to which 5705.41 (D) applies. The District should generate a purchase order for all expenditures before placing an order. If a purchase must be made in an emergency, the purchase order should be documented with a “Then and Now” certificate. A copy of the purchase order should be attached to all voucher packets for proper documentation.

***Client Response:*** The client chose not to respond to the above finding.

**Ripley Union Lewis Huntington Local School District  
Brown County, Ohio**

**Schedule of Prior Audit Findings  
June 30, 2013**

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<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2012-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Not Corrected



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## Independent Auditor's Report on Applying Agreed Upon Procedure

Members of the Board of Education  
Ripley Union Lewis Huntington Local School District  
Brown County  
502 S. Second Street  
Ripley, Ohio 45167

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Ripley Union Lewis Huntington Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, Ohio

November 25, 2013

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# Dave Yost • Auditor of State

**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  
MARCH 13, 2014**