



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

BROWN COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2018

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Education
Ripley Union Lewis Huntington Local School District
502 South 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 J.L. Uhrig and Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. 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

December 21, 2018

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For the Fiscal Year Ended June 30, 2018

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Independent Auditor's Report

Board of Education
Ripley Union Lewis Huntington Local School District
502 South Second Street
Ripley, OH 45167

Report on the Financial Statements

We have audited the accompanying cash basis 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 School District), as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the School 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' *Governmental 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 School 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 School 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.

Board of Education
Ripley Union Lewis Huntington Local School District
Independent Auditor's Report

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 the Ripley Union Lewis Huntington Local School District, Brown County, Ohio as of June 30, 2018, 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 Section 117-2-03(B) requires the School 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 School District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

November 20, 2018

Ripley Union Lewis Huntington Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

As management of 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, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- Net position of governmental activities decreased \$191,434.
- General cash receipts accounted for \$9,534,479 or 78.7 percent of all cash receipts. Program specific cash receipts in the form of charges for services, sales, grants, and contributions accounted for \$2,582,841 or 21.3 percent of total governmental cash receipts.
- The School District had \$12,308,754 in cash disbursements; only \$2,582,841 of these cash disbursements were offset by program specific charges for services, sales, grants and contributions.

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 in the financial records of the School District as a way to segregate money whose use is restricted to a particular 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.

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 2018, 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 cash receipts for each governmental program. Program cash receipts include

Ripley Union Lewis Huntington Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

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 School 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 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 college scholarship donations and student managed activities, respectively. 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, 2018
(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 2018 and 2017:

Table 1
 Net Position – Cash Basis
 Governmental Activities

	2018	2017
Assets		
Current Assets	\$6,907,289	\$7,098,723
Total Assets	6,907,289	7,098,723
Net Position		
Restricted	1,623,826	1,567,247
Unrestricted	5,283,463	5,531,476
Total Net Position	\$6,907,289	\$7,098,723

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 2018 and 2017.

Cash receipts are 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, unrestricted gifts and donations, investment earnings, and miscellaneous cash receipts.

Ripley Union Lewis Huntington Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

Table 2 demonstrates the change in net position for fiscal year 2018 as compared to 2017.

Table 2
Change in Net Position
Governmental Activities

	2018	2017*
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$669,144	\$621,758
Operating Grants and Contributions	1,913,697	2,026,147
Total Program Cash Receipts	<u>2,582,841</u>	<u>2,647,905</u>
General Cash Receipts:		
Property Taxes	2,356,864	2,544,458
Grants and Entitlements Not Restricted to Specific Programs	6,995,016	7,259,229
Interest	103,090	67,661
Insurance Recoveries	0	10,940
Gifts and Donations Not Restricted to Specific Programs	0	5,068
Proceeds from Sale of Capital Assets	4,500	8,662
Miscellaneous	75,009	49,616
Total General Cash Receipts	<u>9,534,479</u>	<u>9,945,634</u>
Total Cash Receipts	12,117,320	12,593,539
Program Cash Disbursements:		
Instruction:		
Regular	4,644,375	4,425,772
Special	1,665,973	1,477,082
Vocational	601,207	517,885
Student Intervention Services	44,027	43,542
Support Services:		
Pupils	781,481	708,749
Instructional Staff	175,181	133,352
Board of Education	81,467	97,349
Administration	909,955	861,742
Fiscal	315,760	305,066
Operation and Maintenance of Plant	1,152,918	1,061,536
Pupil Transportation	681,320	806,153
Central	341,889	409,346
Operation of Non-Instructional Services	459,391	528,544
Extracurricular Activities	225,029	211,636
Capital Outlay	725	535,663
Debt Service:		
Principal	183,000	126,211
Interest and Fiscal Charges	45,056	109,236
Total Program Cash Disbursements	<u>12,308,754</u>	<u>12,358,864</u>
Change in Net Position	(191,434)	234,675
Net Position, Beginning of Year	7,098,723	6,864,048
Net Position, End of Year	<u>\$6,907,289</u>	<u>\$7,098,723</u>

*Certain reclassifications were made for consistency of reporting between years.

Ripley Union Lewis Huntington Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

Governmental Activities

Grants and entitlements not restricted to specific programs made up 57.7 percent of cash receipts for governmental activities and property tax receipts made up 19.5 percent of the total cash receipts for a total of 77.2 percent of the School District's cash receipts. Operating grants and contributions decreased due to decreased grant revenue for the Title II-A program as well as child nutrition funding. Charges for services and sales increased due to additional foundation monies received for tuition and fees. Grants and entitlements not restricted to specific programs decreased due to decreased economic disadvantaged funding from the State foundation and E-Rate funding.

Regular instruction comprises 37.7 percent of governmental program cash disbursements. Regular instruction increased due to increases in personnel costs as did special instruction. Capital outlay disbursements decreased due to the Energy Conservation project having been completed in 2017.

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.

Table 3 provides a comparison between fiscal years 2018 and 2017.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017*	Net Cost of Services 2017*
Instruction	\$6,955,582	\$5,286,694	\$6,464,281	\$4,846,670
Support Services	4,439,971	4,012,333	4,383,293	3,977,255
Non-Instructional	459,391	57,063	528,544	50,603
Extracurricular Activities	225,029	141,042	211,636	65,321
Capital Outlay	725	725	535,663	535,663
Debt Service:				
Principal	183,000	183,000	126,211	126,211
Interest and Fiscal Charges	45,056	45,056	109,236	109,236
Total Expenses	<u>\$12,308,754</u>	<u>\$9,725,913</u>	<u>\$12,358,864</u>	<u>\$9,710,959</u>

*Certain reclassifications were made for consistency of reporting between years.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$12,302,674 and cash disbursements and other financing uses of \$12,494,108. The net change in fund balance in the general fund for the fiscal year was a decrease of \$248,013 which was due to disbursements exceeding receipts. The net change in fund balance for the fiscal year in the construction fund was an increase of \$12,293.

Ripley Union Lewis Huntington Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

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 2018, the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements.

The School District's ending unobligated cash balance was \$271,887 above the final budgeted amount in the general fund and was \$116,047 below the original budgeted amount.

For the general fund, original budgeted receipts and other financing sources were \$10,299,079 and final budgeted receipts and other financing sources were \$10,757,068. This represents an increase in estimated receipts and other financing sources of \$457,989, which was primarily due to increases in estimated intergovernmental receipts. There was a \$331,492 difference between the actual budget basis receipts and other financing sources and final budgeted receipts and other financing sources.

Original budgeted disbursements and other financing uses in the general fund were \$10,545,587 and final budgeted disbursements and other financing uses were \$11,391,510. This represents an increase in estimated disbursements and other financing uses of \$845,923, which was primarily due to increases in regular and special instruction and pupil support services. The difference between actual budget basis disbursements and other financing uses and final budgeted disbursements and other financing uses was \$603,379 due mainly to spending less than anticipated for regular and special instruction, pupil support services, and operation and maintenance of plant.

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 \$725 in capital outlay disbursements during fiscal year 2018.

Debt

At June 30, 2018, the School District had \$1,385,000 in bonds outstanding. \$150,000 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

	2018	2017
General Obligation Bonds:		
2012 Classroom Facilities Refunding Bonds 4.6%-28.19%	\$600,000	\$690,000
Energy Conservation Improvements Bonds 0.75%-2.90%	785,000	840,000
Total	<u>\$1,385,000</u>	<u>\$1,530,000</u>

The School District's overall legal debt margin was \$8,513,085 with an unvoted debt margin of \$105,337 at June 30, 2018.

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

Ripley Union Lewis Huntington Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

Current Financial Issues and Concerns

The challenge that the School District continues to face is maintaining an operational budget for the facilities at a point when enrollment is declining and State revenues are uncertain. The School District has 284,780 square feet of building space. Utilities costs have been on the decline as a result of the School District's HB264 Energy Savings Project, however, service costs are projected to continue to increase as a result of repair and maintenance on the buildings and grounds as the facilities age, especially at the high school campus which was put into operation in 1994.

State revenues are approximately 69 percent of this School District's projected general operational revenues, thus variations in the State budget and economy significantly impact our overall revenue for educational programs. The State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. For fiscal year 2019, the State is funding schools based on the biennial budget as contained in Am. Sub. H.B. 49 approved in June 2017. Through that budget bill, the School District is being effected by two primary factors. First, the School District has been placed on a guaranteed funding level equal to the amount received in the 2016-2017 school year; however, funding beyond fiscal year 2019 is unknown. Secondly, there is additional uncertainty in the effect that this budget bill will have on property tax collections for the School District beginning in 2019 as a result of the revised formula values for CAUV property, which is projected to reduce those taxable values by 20 to 25 percent in 2018, and again in 2021.

Additionally, the School District's permanent improvement levy which has help tremendously in making needed upgrades in technology, electronic curriculum, and a safer bus fleet is poised to expire in 2019.

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.

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 Jeff Rowley, 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
As of June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,907,289
<i>Total Assets</i>	6,907,289
Net Position	
Restricted for Debt Service	417,742
Restricted for Capital Outlay	952,650
Restricted for Classroom Facilities Maintenance	188,181
Restricted for Other Purposes	65,253
Unrestricted	5,283,463
<i>Total Net Position</i>	\$6,907,289

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, 2018

	Cash Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	
Governmental Activities				
Instruction:				
Regular	\$4,644,375	\$234,614	\$17,807	(\$4,391,954)
Special	1,665,973	59,931	1,175,078	(430,964)
Vocational	601,207	28,276	108,761	(464,170)
Student Intervention Services	44,027	104	44,317	394
Support Services:				
Pupils	781,481	36,946	22,410	(722,125)
Instructional Staff	175,181	5,221	65,230	(104,730)
Board of Education	81,467	3,851	0	(77,616)
Administration	909,955	41,441	147,451	(721,063)
Fiscal	315,760	14,357	0	(301,403)
Operation and Maintenance of Plant	1,152,918	48,063	0	(1,104,855)
Pupil Transportation	681,320	27,667	155	(653,498)
Central	341,889	14,846	0	(327,043)
Operation of Non-Instructional Services	459,391	71,226	331,102	(57,063)
Extracurricular Activities	225,029	82,601	1,386	(141,042)
Capital Outlay	725	0	0	(725)
Debt Service:				
Principal	183,000	0	0	(183,000)
Interest and Fiscal Charges	45,056	0	0	(45,056)
<i>Total Governmental Activities</i>	<u>\$12,308,754</u>	<u>\$669,144</u>	<u>\$1,913,697</u>	<u>(9,725,913)</u>

General Cash Receipts

Property Taxes Levied for:	
General Purposes	1,965,466
Capital Outlay	244,709
Debt Service	108,880
Classroom Facilities Maintenance	37,809
Grants and Entitlements,	
Not Restricted for Specific Programs	6,995,016
Interest	103,090
Proceeds from Sale of Capital Assets	4,500
Miscellaneous	75,009
<i>Total General Cash Receipts</i>	<u>9,534,479</u>
<i>Change in Net Position</i>	(191,434)
<i>Net Position Beginning of Year</i>	<u>7,098,723</u>
<i>Net Position End of Year</i>	<u>\$6,907,289</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
As of June 30, 2018

	<u>General</u>	<u>Construction</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,283,463	\$806,580	\$817,246	\$6,907,289
<i>Total Assets</i>	<u>\$5,283,463</u>	<u>\$806,580</u>	<u>\$817,246</u>	<u>\$6,907,289</u>
Fund Balances				
Restricted	\$0	\$806,580	\$817,246	\$1,623,826
Committed	100,790	0	0	100,790
Assigned	1,296,983	0	0	1,296,983
Unassigned	3,885,690	0	0	3,885,690
<i>Total Fund Balances</i>	<u>\$5,283,463</u>	<u>\$806,580</u>	<u>\$817,246</u>	<u>\$6,907,289</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 Balances - Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2018

	General	Construction	Non-Major Governmental Funds	Total Governmental Funds
Cash Receipts				
Property Taxes	\$1,965,466	\$0	\$391,398	\$2,356,864
Intergovernmental	7,787,098	0	1,118,898	8,905,996
Interest	89,775	13,018	297	103,090
Tuition and Fees	501,162	0	0	501,162
Rent	2,717	0	0	2,717
Extracurricular Activities	22,300	0	64,777	87,077
Gifts and Donations	2,717	0	0	2,717
Customer Sales and Services	1,790	0	76,398	78,188
Miscellaneous	63,547	0	11,462	75,009
<i>Total Cash Receipts</i>	<u>10,436,572</u>	<u>13,018</u>	<u>1,663,230</u>	<u>12,112,820</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	4,565,566	0	78,809	4,644,375
Special	1,267,782	0	398,191	1,665,973
Vocational	598,873	0	2,334	601,207
Student Intervention Services	2,204	0	41,823	44,027
Support Services:				
Pupils	758,268	0	23,213	781,481
Instructional Staff	110,451	0	64,730	175,181
Board of Education	81,467	0	0	81,467
Administration	755,828	0	154,127	909,955
Fiscal	303,707	0	12,053	315,760
Operation and Maintenance of Plant	1,016,727	0	136,191	1,152,918
Pupil Transportation	585,276	0	96,044	681,320
Central	314,054	0	27,835	341,889
Operation of Non-Instructional Services	73	0	459,318	459,391
Extracurricular Activities	155,215	0	69,814	225,029
Capital Outlay	0	725	0	725
Debt Service:				
Principal	38,000	0	145,000	183,000
Interest	13,198	0	31,858	45,056
<i>Total Cash Disbursements</i>	<u>10,566,689</u>	<u>725</u>	<u>1,741,340</u>	<u>12,308,754</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(130,117)	12,293	(78,110)	(195,934)
Other Financing Sources (Uses)				
Transfers In	0	0	134,679	134,679
Advances In	31,479	0	19,196	50,675
Proceeds from Sale of Capital Assets	4,500	0	0	4,500
Transfers Out	(134,679)	0	0	(134,679)
Advances Out	(19,196)	0	(31,479)	(50,675)
<i>Total Other Financing Sources (Uses)</i>	<u>(117,896)</u>	<u>0</u>	<u>122,396</u>	<u>4,500</u>
<i>Net Change in Fund Balances</i>	(248,013)	12,293	44,286	(191,434)
<i>Fund Balance Beginning of Year</i>	<u>5,531,476</u>	<u>794,287</u>	<u>772,960</u>	<u>7,098,723</u>
<i>Fund Balance End of Year</i>	<u>\$5,283,463</u>	<u>\$806,580</u>	<u>\$817,246</u>	<u>\$6,907,289</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 Change
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2018*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Receipts and Other Financing Sources	\$10,299,079	\$10,757,068	\$10,425,576	(\$331,492)
Total Disbursements and Other Financing Uses	10,545,587	11,391,510	10,788,131	603,379
<i>Net Change in Fund Balance</i>	(246,508)	(634,442)	(362,555)	271,887
<i>Fund Balance Beginning of Year</i>	5,379,265	5,379,265	5,379,265	0
<i>Prior Year Encumbrances Appropriated</i>	89,851	89,851	89,851	0
<i>Fund Balance End of Year</i>	<u>\$5,222,608</u>	<u>\$4,834,674</u>	<u>\$5,106,561</u>	<u>\$271,887</u>

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
As of June 30, 2018

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$43,550	\$51,929
<i>Total Assets</i>	43,550	51,929
Net Position		
Held in Trust for Scholarships	43,550	0
Unrestricted	0	51,929
<i>Total Net Position</i>	\$43,550	\$51,929

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, 2018

	<u>Private Purpose Trust Fund</u>
Additions	
Gifts and Contributions	\$2,000
Interest	585
<i>Total Additions</i>	<u>2,585</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>2,500</u>
<i>Total Deductions</i>	<u>2,500</u>
<i>Change in Net Position</i>	85
<i>Net Position Beginning of Year</i>	<u>43,465</u>
<i>Net Position End of Year</i>	<u><u>\$43,550</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, 2018

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 (0.5 mill). On August 29, 2002, the School District issued \$1,557,000 in School Improvement Bonds which would be in effect for twenty-three years.

The two new buildings opened in January of 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 37 non-certificated, 72 teaching personnel, and 13 administrative employees providing education to 854 students.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

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's 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 five organizations, three 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 Regional Council of Governments (SCOCARCoG), the Metropolitan Educational Technology Association (META), the Unified Purchasing Cooperative of the Ohio River Valley (UPC), the Brown County Schools Benefits Consortium, and the Ohio BWC Group Retrospective Rating Program. These organizations are presented in notes 13, 14 and 15 to the basic financial statements.

Note 2 – Summary of Significant of 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.

Ripley Union Lewis Huntington Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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.

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.

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 was grant monies received from the Ohio School Facilities Commission in prior years.

The other non-major governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose and debt service.

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 net position) 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, 2018

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 School 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. Fiduciary funds are reported by fund type.

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 disbursements 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 receipts 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, 2018

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. 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.

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.

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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2018, the School District’s investments were limited to negotiable certificates of deposit, money market funds, U.S. Government Agency securities, and funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). Certificates of deposit are recorded at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund, construction fund, and other non-major governmental funds during fiscal year 2018 amounted to \$89,775, \$13,018, and \$297, respectively. The private purpose trust fund also received \$585 in interest receipts during the fiscal year.

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 employees.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

In general, bonds 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.

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, 2018, none of the School District's restricted net position 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 spendable form, or are 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.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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 change in fund balance – budget and actual – budget basis for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and cash basis are:

1. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (cash basis).
2. Intrafund transfers are presented as other financing sources on the budget basis but are eliminated on the cash basis.
3. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under Governmental Accounting Standards Board Statement No. 54 and were reported with the general fund (cash basis). These funds include the uniform school supply fund, public school support fund, and chromebook self-insurance fund.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
Cash Basis (as reported)	(\$248,013)
Transfers In	4,213
Transfers Out	(4,213)
Perspective Difference:	
Activity of Funds Reclassified	(3,684)
Encumbrances	<u>(110,858)</u>
Budget Basis	<u>(\$362,555)</u>

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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

As of June 30, 2018, the School District's bank balance of \$2,420,260 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, 2018, the School District had the following investments:

	Measurement	
	Value	Maturity
STAR Ohio	\$2,427,967	<1 Year
Money Market Fund	50,420	<1 Year
Negotiable Certificates of Deposit	950,000	<1 Year
Negotiable Certificates of Deposit	900,067	1-3 Years
Federal Home Loan Mortgage Corporation	400,000	1-3 Years
Total Investments	<u>\$4,728,454</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.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in Federal Home Loan Mortgage Corporation were rated AA+ by Standard & Poor's. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 51.3% of the School District's investments are in STAR Ohio, 39.1% are in negotiable certificates of deposit, and 8.5% are in Federal Home Loan Mortgage Corp. The School District investment policy allows for a maximum of 25% of interim funds to be invested in either, or a combined total of, certain commercial paper or certain bankers' acceptances. There are no further restrictions on the amounts the School District may invest in a single issuer beyond the requirements of the Ohio Revised Code.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

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 and public utility property located in the School District. Real property tax receipts received in calendar year 2018 represent collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 receipts received in calendar year 2018 represent collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 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.

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. Second-half real property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$97,224,540	92.24%	\$97,700,840	92.75%
Public Utility Personal	8,179,840	7.76%	7,636,300	7.25%
Total Assessed Value	\$105,404,380	100.00%	\$105,337,140	100.00%

Tax rate per \$1,000 of assessed valuation	\$34.20	\$34.20
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Note 6 – Risk Management

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 2018, the School District contracted with Markel Insurance Company for property and fleet insurance, professional liability insurance, and inland marine coverage. Total coverage amounted to \$59,196,310.

The School District's vehicles are covered by Markel Insurance Company and hold a \$500 deductible for comprehensive coverage and a \$500 deductible for collision coverage for autos other than buses. Buses hold a \$500 deductible for both comprehensive and collision coverage. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years. There have been no significant reductions in coverages from the prior year.

Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio BWC Group Retrospective Rating Program, an insurance purchasing pool (Note 15). The intent of the program is to achieve the benefit of a reduced premium for the School District by virtue of grouping employers who practice effective workplace safety and claims management. The workers' compensation experience of the participating employers is calculated as one experience and a common premium rate is applied to all employers in the program. Each participant pays its workers' compensation premium to the State based on the rate for the program rather than its individual rate. Participation in the program is limited to employers that are a private, state-funded employer, or a public employer taxing district that can meet the program's selection criteria. Spooner Incorporated provides administrative, cost control, and actuarial services to the program.

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 14) 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.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 7 – Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – 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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$167,629 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member contribution rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on

Ripley Union Lewis Huntington Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$558,046 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.0406433%	0.03941115%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.0390392%</u>	<u>0.03933211%</u>	
Change in Proportionate Share	-0.0016041%	-0.00007904%	
Proportionate Share of the Net Pension Liability	\$2,332,506	\$9,343,427	\$11,675,933

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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For the Fiscal Year Ended June 30, 2018

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
 Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,236,912	\$2,332,506	\$1,574,881

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.5 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017 actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$13,393,485	\$9,343,427	\$5,931,861

Note 8 – Defined Benefit OPEB Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017 as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

Ripley Union Lewis Huntington Local School District

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For the Fiscal Year Ended June 30, 2018

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS, for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986 need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the plan is included in the SERS comprehensive annual financial report which can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The health care fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the health care plan. The SERS Retirement Board established 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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the health care fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

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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 2018, the School District’s surcharge obligation was \$21,961.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the health care fund. The School District’s contractually required contribution to SERS was \$28,169 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.03971390%	0.03933211%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.03971390%</u>	<u>0.03933211%</u>	
Change in Proportionate Share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate Share of the Net			
OPEB Liability	\$1,065,817	\$1,534,594	\$2,600,411

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017 are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
School District's proportionate share of the net OPEB liability	\$1,287,109	\$1,065,817	\$890,496
	<u>1% Decrease (6.5 % decreasing to 4.0 %)</u>	<u>Current Trend Rate (7.5 % decreasing to 5.0 %)</u>	<u>1% Increase (8.5 % decreasing to 6.0 %)</u>
School District's proportionate share of the net OPEB liability	\$864,830	\$1,065,817	\$1,331,826

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017 actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)," and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate) was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$2,060,168	\$1,534,594	\$1,119,219

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$1,066,170	\$1,534,594	\$2,151,094

Note 9 – Employee Benefits

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.

Insurance Benefits

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

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.

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.

Note 10 – Leases – Lessee Disclosure

Capital Lease

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 and 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.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

In fiscal year 2018, the School District made the scheduled payment in the amount of \$38,000 and also made interest payments of \$13,198. The outstanding principal amount on the lease at June 30, 2018 is \$215,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Total Payments
2019	\$50,254
2020	50,214
2021	50,071
2022	49,825
2023	49,476
Total	249,840
Less: Amount Representing Interest	(34,840)
Present Value of Minimum Lease Payments	<u>\$215,000</u>

Operating Lease

During fiscal year 2016, the School District entered into a lease agreement with Dell Financial Services LLC for computers. The terms of the lease provide for four annual payments of \$57,319 with a final payment of \$8,992 if the School District elects to purchase the computers. The School District has made the first three payments. The remaining payment of \$57,319 will be made in fiscal year 2019. If the School District elects to purchase the computers, a final payment of \$8,992 will be required at that time.

Note 11 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2018 were as follows:

	Beginning Balance June 30, 2017	Additions	Payments	Ending Balance June 30, 2018	Due in One Year
<i>Governmental Activities:</i>					
General Obligation Bonds:					
Classroom Facilities Bonds 3/8/2012:					
Term Bonds 4.6%-4.9%	\$680,000	\$0	\$90,000	\$590,000	\$95,000
Capital Appreciation Bonds 28.19%	10,000	0	0	10,000	0
Energy Conservation Improvements					
General Obligation Bonds 0.75%-2.90%	840,000	0	55,000	785,000	55,000
Total General Obligation Bonds	1,530,000	0	145,000	1,385,000	150,000
Capital Leases	253,000	0	38,000	215,000	39,000
Total Governmental Activities Long-Term Obligations	<u>\$1,783,000</u>	<u>\$0</u>	<u>\$183,000</u>	<u>\$1,600,000</u>	<u>\$189,000</u>

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 were redeemed in December of 2012.

Ripley Union Lewis Huntington Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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 2018, the capital appreciation bonds accreted \$11,990 for a total of \$51,719.

Energy Conservation Improvements Bonds

On May 4, 2016, the School District issued Energy Conservation Improvement General Obligation Bonds in the amount of \$900,000 at variable interest rates of 0.75 percent to 2.90 percent. Principal and interest payments are due June and December 1 of each year through fiscal year 2031. These bonds were used for the purpose of energy conservation measures. There was no premium or discount related to the bonds. Issuance costs associated with the bonds were \$15,000. The bonds are being retired from the bond retirement fund.

The School District's overall legal debt margin was \$8,513,085 with an unvoted debt margin of \$105,337 at June 30, 2018.

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, 2018 are as follows:

Classroom Facilities Bonds

2012 School Facility					
June 30	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2019	\$95,000	\$12,720	\$0	\$0	\$107,720
2020	95,000	10,915	0	0	105,915
2021	0	10,012	10,000	90,000	110,012
2022	95,000	8,884	0	0	103,884
2023	100,000	6,569	0	0	106,569
2024-2025	205,000	5,447	0	0	210,447
Total	\$590,000	\$54,547	\$10,000	\$90,000	\$744,547

Energy Conservation Improvement Bonds

Year Ending June 30	Energy Conservation Improvement Bonds		
	Principal	Interest	Total
2019	\$55,000	\$17,016	\$72,016
2020	55,000	16,287	71,287
2021	55,000	15,490	70,490
2022	55,000	14,597	69,597
2023	55,000	13,566	68,566
2024-2028	305,000	47,851	352,851
2029-2031	205,000	8,893	213,893
Total	\$785,000	\$133,700	\$918,700

Ripley Union Lewis Huntington Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 12 – Interfund Activity

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Major Fund</i>		
General	\$0	\$134,679
<i>Non-Major Funds</i>		
Food Service	61,776	0
Bond Retirement	72,903	0
<i>Total</i>	<u>\$134,679</u>	<u>\$134,679</u>

Transfers were made to move unrestricted balances to support programs, projects accounted for in other funds, and debt service payments.

Interfund Advances

The School District made the following advances during fiscal year 2018:

	<u>Advance In</u>	<u>Advance Out</u>
<i>Major Fund</i>		
General	\$31,479	\$19,196
<i>Non-Major Funds</i>		
Agriculture Education	2,334	0
Title VI-B	11,541	12,502
Title I	0	15,286
Title II-A	4,477	3,691
Miscellaneous Federal Grants	844	0
<i>Total</i>	<u>\$50,675</u>	<u>\$50,675</u>

Other non-major governmental funds received advances from the general fund in anticipation of intergovernmental revenues. Advances to the general fund were for repayment of previous advances.

Note 13 – Jointly Governed Organizations

South Central Ohio Computer Association Regional Council of Governments

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association (“META”). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$0 for services provided during the fiscal year.

Metropolitan Educational Technology Association

META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice president, and six board members who represent the members of META. The board works with META’s Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each member’s degree of control is limited to its representation on the Board. The School District paid META \$218,187 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

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 fifty three public school districts, eighty one non-public schools, three joint vocational school districts, one board of developmental disabilities, two head start programs, four educational service centers, and six other non-profit organizations 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.

Note 14 – 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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 15 – Insurance Purchasing Pool

Ohio BWC Group Retrospective Rating Program

The School District participates in the Ohio BWC Group Retrospective Rating Program, an insurance purchasing pool. The intent of the program is to achieve the benefit of a reduced premium for the School District by virtue of grouping employers who practice effective workplace safety and claims management.

Note 16 – 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. These amounts must be carried forward and used for the same purposes in future fiscal years.

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2017	\$0
Current Year Set-Aside Requirement	156,728
Current Year Offsets	(85,848)
Qualifying Disbursements	<u>(70,880)</u>
Set-Aside Balance Carried Forward to Further Fiscal Years	<u>\$0</u>
Set-Aside Balance as of June 30, 2018	<u><u>\$0</u></u>

Although the School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for capital improvement set-aside, this 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.

Note 17 – Contingencies

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, 2018, if applicable, cannot be determined at this time.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Litigation

The School District is not currently party to legal proceedings.

Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District; therefore, any financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or liability of the School District.

Note 18 – 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 School 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.

Note 19 – 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 governmental funds. The constraints placed on the fund balance for the major governmental funds and all other non-major governmental funds are presented below:

	General	Construction	Non-Major Governmental Funds	Total Governmental Funds
<i>Restricted for</i>				
Other Purposes	\$0	\$0	\$38,057	\$38,057
Capital Purposes	0	806,580	146,070	952,650
Classroom Facilities Maintenance	0	0	188,181	188,181
Athletics	0	0	27,196	27,196
Debt Service Payments	0	0	417,742	417,742
<i>Total Restricted</i>	0	806,580	817,246	1,623,826
<i>Committed to</i>				
Chromebook Damages	3,790	0	0	3,790
Other Purposes	97,000	0	0	97,000
<i>Total Committed</i>	100,790	0	0	100,790
<i>Assigned to</i>				
Subsequent Budget Deficit	1,251,092	0	0	1,251,092
Public School Support	32,033	0	0	32,033
Other Purposes	13,858	0	0	13,858
<i>Total Assigned</i>	1,296,983	0	0	1,296,983
<i>Unassigned</i>	3,885,690	0	0	3,885,690
<i>Total Fund Balances</i>	\$5,283,463	\$806,580	\$817,246	\$6,907,289

Ripley Union Lewis Huntington Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 20 – Significant Commitments

Contractual Commitments

As of June 30, 2018, the School District had \$89,000 remaining in contractual commitments to Fisher Tracks Inc. related to the high school track resurfacing project.

Encumbrances

<i>Major Fund</i>	
General	\$116,119
<i>Non-Major Funds</i>	
Auxiliary	270
Title VI-B	1,306
Title II-A	1,411
<i>Total</i>	<u>\$119,106</u>

Note 21 – New Accounting Pronouncements

For the fiscal year ended June 30, 2018, the School District was required to implement Governmental Accounting Standards Board Statements No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” No. 81, “Irrevocable Split-Interest Agreements,” No. 85, “Omnibus 2017,” and No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Since the School District reports on the cash basis of accounting, no liability or related deferred inflows or outflows of resources are recognized within its financial statements. However, the School District does present expanded note disclosures and required supplementary information in accordance with this Statement.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 85 addresses issues found during the application of: 1) blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation; 2) reporting amounts previously reported as goodwill and “negative” goodwill; 3) classifying real estate held by insurance entities; 4) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; 5) timing of the measurement of pension and other postemployment benefits (OPEB) liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus; 6) recognizing on-behalf payments for pensions or OPEB in employer financial statements; and 7) simplifying certain aspects of the alternative measurement method for OPEB.

GASB Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

for the sole purpose of extinguishing debt. Under Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. Statement No. 86 generally follows the same requirements as Statement No. 7 when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Except as noted above, none of these Statements had an impact on the School District's financial statements or note disclosures.

Ripley Union Lewis Huntington Local School District
Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years

	2013	2014	2015	2016	2017
<i>State Teachers Retirement System</i>					
Total plan pension liability	\$94,366,693,720	\$96,167,057,104	\$99,014,653,744	\$100,756,422,489	\$96,126,440,462
Plan net position	65,392,746,348	71,843,596,331	71,377,578,736	67,283,408,184	72,371,226,119
Net pension liability	28,973,947,372	24,323,460,773	27,637,075,008	33,473,014,305	23,755,214,343
District's proportion of the net pension liability	0.04157417%	0.04157417%	0.03988924%	0.03941115%	0.03933211%
District's proportionate share of the net pension liability	\$12,045,678	\$10,112,277	\$11,024,219	\$13,192,100	\$9,343,427
District's covered-employee payroll	\$4,865,446	\$4,574,477	\$3,964,971	\$4,146,814	\$4,324,086
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.6%	221.1%	278.0%	318.1%	216.1%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%
<i>School Employees Retirement System</i>					
Total plan pension liability	\$17,247,161,078	\$17,881,827,171	\$18,503,280,961	\$19,770,708,121	\$19,588,417,687
Plan net position	11,300,482,029	12,820,884,107	12,797,184,030	12,451,630,823	13,613,638,590
Net pension liability	5,946,679,049	5,060,943,064	5,706,096,931	7,319,077,298	5,974,779,097
District's proportion of the net pension liability	0.03925800%	0.03925800%	0.03978550%	0.04064330%	0.03903920%
District's proportionate share of the net pension liability	\$2,334,547	\$1,986,825	\$2,270,199	\$2,974,715	\$2,332,506
District's covered-employee payroll	\$1,433,931	\$1,152,280	\$1,618,270	\$1,262,229	\$1,308,879
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162.8%	172.4%	140.3%	235.7%	178.2%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%

The amounts presented are as of the District's measurement date, which is the prior fiscal year.
Information not available prior to 2013.

See the notes to the supplementary information.

Ripley Union Lewis Huntington Local School District
Supplementary Information
Schedule of the School District's Proportionate Share of the OPEB Liability
Last Two Fiscal Years

	2016	2017
<i>State Teachers Retirement System</i>		
Total plan OPEB liability	\$8,533,654,000	\$7,377,410,000
Plan net position	<u>3,185,628,000</u>	<u>3,475,779,000</u>
Net OPEB liability	5,348,026,000	3,901,631,000
School District's proportion of the net OPEB liability	0.03933211%	0.03933211%
School District's proportionate share of the net OPEB liability	\$2,103,491	\$1,534,594
School District's covered-employee payroll	\$4,146,814	\$4,324,086
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	50.7%	35.5%
Plan fiduciary net position as a percentage of the total OPEB liability	37.3%	47.1%
<i>School Employees Retirement System</i>		
Total plan OPEB liability	\$3,220,574,434	\$3,065,846,821
Plan net position	<u>370,204,515</u>	<u>382,109,560</u>
Net OPEB liability	2,850,369,919	2,683,737,261
School District's proportion of the net OPEB liability	0.03971390%	0.03971390%
School District's proportionate share of the net OPEB liability	\$1,131,993	\$1,065,817
School District's covered-employee payroll	\$1,262,229	\$1,308,879
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	89.7%	81.4%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year.
Information not available prior to 2016.

See the notes to the supplementary information.

Ripley Union Lewis Huntington Local School District
Supplementary Information
Schedule of the School District's Contributions
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>State Teachers Retirement System - Pension</i>										
Contractually required contribution	\$625,527	\$662,628	\$722,124	\$672,336	\$632,508	\$594,682	\$555,096	\$580,554	\$605,372	\$558,046
Contributions in relation to the contractually required contribution	625,527	662,628	722,124	672,336	632,508	594,682	555,096	580,554	605,372	558,046
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$4,811,746	\$5,097,138	\$5,554,800	\$5,171,815	\$4,865,446	\$4,574,477	\$3,964,971	\$4,146,814	\$4,324,086	\$3,986,043
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%
<i>State Teachers Retirement System - OPEB</i>										
Contractually required contribution	\$48,117	\$50,971	\$55,548	\$51,718	\$48,654	\$45,745	\$0	\$0	\$0	\$0
Contributions in relation to the contractually required contribution	48,117	50,971	55,548	51,718	48,654	45,745	0	0	0	0
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$4,811,746	\$5,097,138	\$5,554,800	\$5,171,815	\$4,865,446	\$4,574,477	\$3,964,971	\$4,146,814	\$4,324,086	\$3,986,043
Contributions as a percentage of covered-employee payroll	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%
<i>School Employees Retirement System - Pension</i>										
Contractually required contribution	\$113,475	\$143,368	\$226,608	\$189,792	\$198,456	\$159,706	\$213,288	\$176,712	\$183,243	\$167,629
Contributions in relation to the contractually required contribution	113,475	143,368	226,608	189,792	198,456	159,706	213,288	176,712	183,243	167,629
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$1,153,201	\$1,058,848	\$1,802,768	\$1,411,093	\$1,433,931	\$1,152,280	\$1,618,270	\$1,262,229	\$1,308,879	\$1,241,696
Contributions as a percentage of covered-employee payroll	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%
<i>School Employees Retirement System - OPEB</i>										
Contractually required contribution	\$47,973	\$4,871	\$25,780	\$7,761	\$2,294	\$1,613	\$13,270	\$0	\$0	\$6,208
Contributions in relation to the contractually required contribution	47,973	4,871	25,780	7,761	2,294	1,613	13,270	0	0	6,208
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$1,153,201	\$1,058,848	\$1,802,768	\$1,411,093	\$1,433,931	\$1,152,280	\$1,618,270	\$1,262,229	\$1,308,879	\$1,241,696
Contributions as a percentage of covered-employee payroll	4.16%	0.46%	1.43%	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%

See the notes to the accompanying supplementary information.

Ripley Union Lewis Huntington Local School District

Notes to the Supplementary Information

For the Fiscal Year Ended June 30, 2018

State Teachers Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

OPEB

Changes in benefit terms

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

Ripley Union Lewis Huntington Local School District

Notes to the Supplementary Information

For the Fiscal Year Ended June 30, 2018

School Employees Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

Changes in assumptions

There were no changes in assumptions since the prior measurement date.

OPEB

Changes in benefit terms

There were no changes in benefit terms since the prior measurement date.

Changes in assumptions

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2018

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Passed Through to Subrecipients	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
School Breakfast Program	2017/2018	10.553	\$0	\$90,111	\$0	\$90,111	\$0
National School Lunch Program	2017/2018	10.555	0	190,817	27,263	190,817	27,263
Total Nutrition Cluster			0	280,928	27,263	280,928	27,263
Total U.S. Department of Agriculture			0	280,928	27,263	280,928	27,263
<u>U.S. Department of Education</u>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Title I:</i>							
Title I Grants to Local Educational Agencies	2017	84.010	0	60,687	0	45,401	0
Title I Grants to Local Educational Agencies	2018	84.010	0	339,772	0	332,520	0
Total Title I			0	400,459	0	377,921	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	2017	84.027	0	35,260	0	22,757	0
Special Education - Grants to States (IDEA Part B)	2018	84.027	0	197,340	0	207,574	0
Total Special Education Cluster			0	232,600	0	230,331	0
Rural Education	2018	84.358	0	19,678		19,678	0
			0	19,678	0	19,678	0
Improving Teacher Quality	2017	84.367	0	10,573	0	6,881	0
Improving Teacher Quality	2018	84.367	0	31,657	0	34,723	0
Total Improving Teacher Quality			0	42,230	0	41,604	0
Student Support and Academic Enrichment Program	2018	84.424	0	3,720	0	4,564	0
Total Student Support and Academic Enrichment			0	3,720	0	4,564	0
Total U.S. Department of Education			0	698,687	0	674,098	0
Total Federal Financial Assistance			\$0	\$979,615	\$27,263	\$955,026	\$27,263

The accompanying notes to the Schedule of Federal Awards Revenues and Expenditures are an integral part of the Schedule.

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Ripley Union Lewis Huntington Local School District's (the School District) under programs of the federal government for the fiscal year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Education
Ripley Union Lewis Huntington Local School District
502 South Second Street
Ripley, OH 45167

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ripley Union Lewis Huntington Local School District (the School District), Brown County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 20, 2018, wherein we noted the School District's financial statements have been prepared on the cash basis of accounting rather than the generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
Ripley Union Lewis Huntington Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance whether the School 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 an instance of noncompliance or other matters we must report under *Governmental Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

Entity's Response to Findings

The Entity's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Entity's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

November 20, 2018

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by Uniform Guidance**

Board of Education
Ripley Union Lewis Huntington Local School District
502 South Second Street
Ripley, OH 45167

Report on Compliance for Each Major Federal Program

We have audited the Ripley Union Lewis Huntington Local School District (the School District), Brown County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB), *Compliance Supplement* that could directly and materially affect the School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School 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 the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and Uniform Guidance 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the School District's major federal programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal programs identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Ripley Union Lewis Huntington Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal programs, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School 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, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with an applicable compliance requirement of a federal program on a timely basis. *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's compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with an applicable compliance requirement of a federal program 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be a material weakness or significant deficiency. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

November 20, 2018

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	Yes
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
9.	<i>Major Programs (list):</i>	CFDA #10.553/10.555 Nutrition Cluster CFDA #84.027 Special Education
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: All Other Programs
11.	<i>Low Risk Auditee under 2 CFR §200.520 ?</i>	No

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

Finding Number 2018-001

Annual Financial Report – Noncompliance Citation

Ohio Rev. Code Section 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

VALLEY LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2017

Finding Number 2018-001 (continued)

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles.

The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend that the School District should prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

The District has determined that the benefit of reporting on the GAAP basis does not outweigh the expense of having our consultant prepare a GAAP report instead of the cash report, as well as the additional audit expense that would exist with preparing a GAAP report. At this time, the District does not anticipate filing on a GAAP basis due to cost savings.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings

For the Year Ended June 30, 2018

Finding Number	Description	Status	Comments
	<i>Government Auditing Standards:</i>		
2017-001	Ohio Revised Code 117.38 – District prepared its annual financial report using the cash basis of accounting instead of accounting principles generally accepted in the United States (GAAP).	Not Corrected	Reissued as Finding Number 2018-001

Ripley Union

Lewis Huntingdon

Treasurer's Office



Jeff Rowley, Treasurer

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	At this point in time the benefits of converting do not justify the cost of converting and maintaining GAAP reporting. No response or action to be taken.	N/A	Jeff Rowley, Treasurer



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
JANUARY 3, 2019**