

Ripley Union Lewis Huntington Local School District  
Single Audit  
For the Fiscal Year Ended June 30, 2014



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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ripley Union Lewis Huntington Local School District, Brown County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. 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

March 12, 2015

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**Ripley Union Lewis Huntington Local School District**

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*For the Fiscal Year Ended June 30, 2014*

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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Ripley Union Lewis Huntington Local School District  
Independent Auditor's Report  
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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ripley Union Lewis Huntington Local School District, Brown County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary fund 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 District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

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

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

The schedule of federal awards expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in management's discussion and analysis, and we express no opinion or any other assurance on it.

Ripley Union Lewis Huntington Local School District  
Independent Auditor's Report  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 15, 2014

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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As management of the Ripley Union Lewis Huntington Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements to enhance their understanding of the School District's performance.

### **Financial Highlights**

- Net position of governmental activities increased \$519,255.
- General cash receipts accounted for \$9,200,428 or 78 percent of all cash receipts. Program specific cash receipts in the form of charges for services, sales, grants, and contributions accounted for \$2,645,114 or 22 percent of total governmental cash receipts.
- The School District had \$11,326,287 in cash disbursements; only \$2,645,114 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 on 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.

## Ripley Union Lewis Huntington Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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### Reporting the School District as a Whole

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

The statement of net position and the statement of activities reflect how the District did financially during 2014, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

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

#### Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Construction Fund.

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

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

**Ripley Union Lewis Huntington Local School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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**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 2014 and 2013:

(Table 1)			
Net Position - Cash Basis			
Governmental Activities			
	2014	2013	Change
<b>Assets</b>			
Current Assets	\$4,600,604	\$4,081,349	\$519,255
Total Assets	<u>4,600,604</u>	<u>4,081,349</u>	<u>519,255</u>
<b>Net Position</b>			
Restricted	1,804,086	2,174,955	(370,869)
Unrestricted	<u>2,796,518</u>	<u>1,906,394</u>	<u>890,124</u>
Total Net Position	<u><u>\$4,600,604</u></u>	<u><u>\$4,081,349</u></u>	<u><u>\$519,255</u></u>

Current assets increased due to cash receipts exceeding cash disbursements. 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 2014 and 2013.

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

(Table 2)  
Change in Net Position  
Governmental Activities

	2014	2013	Change
<b>Cash Receipts</b>			
Program Cash Receipts:			
Charges for Services and Sales	\$456,786	\$557,095	(\$100,309)
Operating Grants and Contributions	<u>2,188,328</u>	<u>2,504,806</u>	<u>(316,478)</u>
Total Program Cash Receipts	<u><u>2,645,114</u></u>	<u><u>3,061,901</u></u>	<u><u>(416,787)</u></u>
General Cash Receipts:			
Property Taxes	2,319,942	2,422,013	(102,071)
Grants and Entitlements not Restricted to Specific Programs	6,758,467	6,516,739	241,728
Investment Earnings	3,559	5,862	(2,303)
Insurance Recoveries	0	20,693	(20,693)
Gifts and Donations not Restricted to Specific Programs	565	20,277	(19,712)
Proceeds from Sale of Capital Assets	0	64,159	(64,159)
Miscellaneous	69,716	41,213	28,503
Refund of Prior Year Expenditures	48,179	0	48,179
Total General Cash Receipts	<u><u>9,200,428</u></u>	<u><u>9,090,956</u></u>	<u><u>109,472</u></u>
Total Cash Receipts	<u><u>\$11,845,542</u></u>	<u><u>\$12,152,857</u></u>	<u><u>(\$307,315)</u></u>

*(continued)*

**Ripley Union Lewis Huntington Local School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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

	2014	2013	Change
<b>Program Cash Disbursements</b>			
Instruction:			
Regular	\$4,025,624	\$4,396,324	(\$370,700)
Special	1,479,761	1,254,112	225,649
Vocational	420,350	426,069	(5,719)
Student Intervention Services	126,134	139,015	(12,881)
Support Services:			
Pupils	592,318	470,342	121,976
Instructional Staff	299,895	572,403	(272,508)
Board of Education	96,878	111,234	(14,356)
Administration	810,914	868,007	(57,093)
Fiscal	302,118	340,234	(38,116)
Operation and Maintenance of Plant	1,035,946	1,152,647	(116,701)
Pupil Transportation	607,884	697,761	(89,877)
Central	219,147	77,411	141,736
Operation of Non-Instructional Services	591,570	617,814	(26,244)
Extracurricular Activities	161,972	170,997	(9,025)
Debt Service:			
Principal	369,063	340,723	28,340
Interest and Fiscal Charges	185,639	191,361	(5,722)
Refund of Prior Year Receipts	1,074	0	1,074
Total Program Cash Disbursements	<u>11,326,287</u>	<u>11,826,454</u>	<u>(500,167)</u>
Special Item:			
Refund of Prior Year Grant Receipts	0	(1,005,103)	1,005,103
Increase (Decrease) in Net Position	519,255	(678,700)	1,197,955
Net Position at Beginning of Year	4,081,349	4,760,049	(678,700)
Net Position at End of Year	<u>\$4,600,604</u>	<u>\$4,081,349</u>	<u>\$519,255</u>

### **Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 57 percent of cash receipts for governmental activities. Property Tax Receipts made up 20 percent of the total cash receipts for a total of 77 percent of the School District's cash receipts. Operating grants and contributions decreased due to decreased revenue in the 21<sup>st</sup> Century Program.

Regular instruction comprises 36 percent of governmental program cash disbursements. Regular instruction decreased due to the retirement of 3 employees and a reduction of one non-certificated staff. Operation and maintenance of plant disbursements decreased due to less maintenance required during the fiscal year. Special instruction increased due to additional monies received in the Title VIB IDEA and Title I programs which resulted in more disbursements. Pupil disbursements increased due to increased services from physical education and medical professionals. Central disbursements increased and instructional disbursements decreased due to a different allocation of technology disbursements during the fiscal year.

**Ripley Union Lewis Huntington Local School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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 2014 and 2013.

(Table 3)  
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$6,051,869	\$4,587,247	\$6,215,520	\$5,400,815
Support Services	3,965,100	3,459,616	4,290,039	3,608,290
Operation of Non- Instructional Services	591,570	18,894	617,814	(80,280)
Extracurricular Activities	161,972	59,640	170,997	39,819
Debt Service:				
Principal	369,063	369,063	340,723	340,723
Interest and Fiscal Charges	185,639	185,639	191,361	191,361
Refund of Prior Year Receipts	1,074	1,074	0	0
Total Disbursements	<u><u>\$11,326,287</u></u>	<u><u>\$8,681,173</u></u>	<u><u>\$11,826,454</u></u>	<u><u>\$9,500,728</u></u>

### **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 \$12,709,583 and cash disbursements and other financing uses of \$12,190,328. The net change in fund balance for the fiscal year was an increase of \$921,210 in the General Fund which was due to receipts being more than disbursements. The net change in fund balances for the fiscal year in the Bond Retirement Fund and the Construction Fund were a decrease of \$243,196 and an increase of \$195, respectively.

### **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 2014, 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 \$1,179,107 above the final budgeted amount in the General Fund and was \$761,193 above the original budgeted amount.

For the General Fund, original budgeted receipts and other financing sources were \$10,050,687 and final budgeted receipts and other financing sources were \$10,068,967. This represents an increase in estimated receipts and other financing sources of \$18,280, which was primarily due to an increase in intergovernmental receipts and property taxes. There was a \$151,142 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 \$10,085,447 and final budgeted disbursements and other financing uses were \$10,521,641. This represents an increase in estimated disbursements and other financing uses of \$436,194, which was primarily due to an increase in support services – pupil disbursements. The difference between actual budget basis disbursements and other financing uses and final budgeted disbursements and other financing uses was \$1,027,965 due mainly to a reduction of disbursements for regular instruction and pupil transportation.

## Ripley Union Lewis Huntington Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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### **Capital Assets and Debt**

#### ***Capital Assets***

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had no capital outlay disbursements during fiscal year 2014.

#### ***Debt***

At June 30, 2014 the School District had \$874,351 in bonds outstanding. \$121,877 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

	2014	2013
General Obligation Bonds:		
1998 School Improvement Refunding Bonds 3.95%-5.05%	\$87,351	\$181,846
1998 School Improvement Bonds 4.75%-5.05%	0	125,000
2003 Classroom Facilities Bonds 9.914%	67,000	67,000
2012 Classroom Facilities Refunding Bonds 0.6%-28.19%	720,000	820,000
Totals	<u>\$874,351</u>	<u>\$1,193,846</u>

The School District's overall legal debt margin was \$7,824,911, and the unvoted debt margin was \$96,658 at June 30, 2014.

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

### **Current Financial Issues and Concerns**

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

State revenues are approximately 72% of this District's projected General operational revenues, thus variations in the State budget significantly impact our overall educational program. Changes in the State economy and pending legal disputes could affect the School District's revenues next year. The State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2014 will be dependent upon changes in the State's biennial budget to be completed for fiscal year 2014/2015. Due to the economic conditions within the State and the anticipated shortfall in tax revenues in the next biennial budget, the level at which the State will fund schools is uncertain and subject to change.

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

**Ripley Union Lewis Huntington Local School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact 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*

*June 30, 2014*

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	Governmental Activities
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,600,604</u>
<i>Total Assets</i>	<u>4,600,604</u>
<b>NET POSITION:</b>	
Restricted for:	
Debt Service	575,258
Capital Projects	865,171
Food Service Operations	65,244
Classroom Facilities Maintenance	177,581
Other Purposes	120,832
Unrestricted	<u>2,796,518</u>
<i>Total Net Position</i>	<u>\$4,600,604</u>

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

**Ripley Union Lewis Huntington Local School District**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2014*

	Cash Disbursements	Program Cash Receipts		Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,025,624	\$120,822	\$100,330	(\$3,804,472)
Special	1,479,761	29,118	1,055,841	(394,802)
Vocational	420,350	13,041	49,405	(357,904)
Student Intervention Services	126,134	21	96,044	(30,069)
Support Services:				
Pupils	592,318	16,434	47,902	(527,982)
Instructional Staff	299,895	3,639	139,779	(156,477)
Board of Education	96,878	3,006	-	(93,872)
Administration	810,914	19,601	137,103	(654,210)
Fiscal	302,118	9,075	1,112	(291,931)
Operation and Maintenance of Plant	1,035,946	29,499	65,125	(941,322)
Pupil Transportation	607,884	18,532	8,046	(581,306)
Central	219,147	6,631	-	(212,516)
Operation of Non-Instructional Services	591,570	115,719	456,957	(18,894)
Extracurricular Activities	161,972	71,648	30,684	(59,640)
Debt Service:				
Principal	369,063	-	-	(369,063)
Interest and Fiscal Charges	185,639	-	-	(185,639)
Refund of Prior Year Receipts	1,074	-	-	(1,074)
<i>Total Governmental Activities</i>	<i>\$11,326,287</i>	<i>\$456,786</i>	<i>\$2,188,328</i>	<i>(8,681,173)</i>
<b>General Cash Receipts</b>				
Property Taxes Levied for:				
General Purposes				2,065,955
Capital Outlay				39,882
Debt Service				214,105
Grants and Entitlements not				
Restricted to Specific Programs				6,758,467
Investment Earnings				3,559
Gifts and Donations not Restricted to Specific Programs				565
Miscellaneous				69,716
Refund of Prior Year Expenditures				48,179
<i>Total General Cash Receipts</i>				<i>9,200,428</i>
<i>Change in Net Position</i>				<i>519,255</i>
<i>Net Position at Beginning of Year</i>				<i>4,081,349</i>
<i>Net Position at End of Year</i>				<i>\$4,600,604</i>

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

**Ripley Union Lewis Huntington Local School District***Statement of Assets and Fund Balances - Cash Basis**Governmental Funds**June 30, 2014*


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	<u>General</u>	<u>Bond Retirement</u>	<u>Construction</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,827,604	\$ 575,258	\$ 865,171	\$ 332,571	\$ 4,600,604
<i>Total Assets</i>	<u>\$ 2,827,604</u>	<u>\$ 575,258</u>	<u>\$ 865,171</u>	<u>\$ 332,571</u>	<u>\$ 4,600,604</u>
<b>FUND BALANCES:</b>					
Restricted	\$ -	\$ 575,258	\$ 865,171	\$ 363,657	\$ 1,804,086
Committed	6,132	-	-	-	6,132
Assigned	213,742	-	-	-	213,742
Unassigned	<u>2,607,730</u>	<u>-</u>	<u>-</u>	<u>(31,086)</u>	<u>2,576,644</u>
<i>Total Fund Balances</i>	<u>\$ 2,827,604</u>	<u>\$ 575,258</u>	<u>\$ 865,171</u>	<u>\$ 332,571</u>	<u>\$ 4,600,604</u>

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

**Ripley Union Lewis Huntington Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Bond Retirement	Construction	All Other Governmental Funds	Total Governmental Funds
<b>CASH RECEIPTS:</b>					
Property Taxes	\$ 2,065,955	\$ 214,105	\$ -	\$ 39,882	\$ 2,319,942
Intergovernmental	7,409,160	34,735	- 195	1,501,880	8,945,775
Interest	3,275	-	195	89	3,559
Tuition and Fees	265,658	-	-	-	265,658
Rent	3,763	-	-	-	3,763
Extracurricular Activities	31,258	-	-	40,390	71,648
Gifts and Donations	565	-	-	1,020	1,585
Customer Sales and Services	-	-	-	115,717	115,717
Miscellaneous	59,701	-	-	10,015	69,716
<i>Total Cash Receipts</i>	<i>9,839,335</i>	<i>248,840</i>	<i>195</i>	<i>1,708,993</i>	<i>11,797,363</i>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Instruction:					
Regular	3,894,566	-	-	131,058	4,025,624
Special	938,587	-	-	541,174	1,479,761
Vocational	420,350	-	-	-	420,350
Student Intervention Services	675	-	-	125,459	126,134
Support Services:					
Pupils	529,746	-	-	62,572	592,318
Instructional Staff	117,306	-	-	182,589	299,895
Board of Education	96,878	-	-	-	96,878
Administration	631,821	-	-	179,093	810,914
Fiscal	292,528	8,137	-	1,453	302,118
Operation and Maintenance of Plant	950,875	-	-	85,071	1,035,946
Pupil Transportation	597,374	-	-	10,510	607,884
Central	213,747	-	-	5,400	219,147
Operation of Non-Instructional Services	63	-	-	591,507	591,570
Extracurricular Activities	121,891	-	-	40,081	161,972
Debt Service:					
Principal Retirement	49,568	319,495	-	-	369,063
Interest and Fiscal Charges	21,235	164,404	-	-	185,639
<i>Total Cash Disbursements</i>	<i>8,877,210</i>	<i>492,036</i>	<i>- 195</i>	<i>1,955,967</i>	<i>11,325,213</i>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<i>962,125</i>	<i>(243,196)</i>	<i>195</i>	<i>(246,974)</i>	<i>472,150</i>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Refund of Prior Year Expenditures	40,306	-	-	7,873	48,179
Refund of Prior Year Receipts	-	-	-	(1,074)	(1,074)
Advances In	391,410	-	-	463,867	855,277
Transfers In	-	-	-	8,764	8,764
Transfers Out	(8,764)	-	-	-	(8,764)
Advances Out	(463,867)	-	-	(391,410)	(855,277)
<i>Total Other Financing Sources and Uses</i>	<i>(40,915)</i>	<i>-</i>	<i>- 195</i>	<i>88,020</i>	<i>47,105</i>
<i>Net Change in Fund Balances</i>	<i>921,210</i>	<i>(243,196)</i>	<i>195</i>	<i>(158,954)</i>	<i>519,255</i>
<i>Fund Balances at Beginning of Year</i>	<i>1,906,394</i>	<i>818,454</i>	<i>864,976</i>	<i>491,525</i>	<i>4,081,349</i>
<i>Fund Balances at End of Year</i>	<i>\$ 2,827,604</i>	<i>\$ 575,258</i>	<i>\$ 865,171</i>	<i>\$ 332,571</i>	<i>\$ 4,600,604</i>

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

**Ripley Union Lewis Huntington Local School District**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget (Budgetary Basis) and Actual  
 General Fund*  
*For the Fiscal Year Ended June 30, 2014*

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	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 10,050,687	\$ 10,068,967	\$ 10,220,109	\$ 151,142
Total Cash Disbursements and Other Financing Uses	<u>10,085,447</u>	<u>10,521,641</u>	<u>9,493,676</u>	<u>1,027,965</u>
Net Change in Fund Balance	(34,760)	(452,674)	726,433	1,179,107
Fund Balance at Beginning of Year	1,734,375	1,734,375	1,734,375	-
Prior Year Encumbrances Appropriated	<u>137,576</u>	<u>137,576</u>	<u>137,576</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,837,191</u>	<u>\$ 1,419,277</u>	<u>\$ 2,598,384</u>	<u>\$ 1,179,107</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*  
*June 30, 2014*

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	Private Purpose Trust Fund	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 52,238	\$ 56,545
<i>Total Assets</i>	<u>52,238</u>	<u>56,545</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	52,238	-
Unrestricted	<u>-</u>	<u>56,545</u>
<i>Total Net Position</i>	<u>\$ 52,238</u>	<u>\$ 56,545</u>

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

**Ripley Union Lewis Huntington Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2014*

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	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS:</b>	
Interest	<u>\$ 47</u>
Total Additions	47
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>1,750</u>
Change in Net Position	(1,703)
<i>Net Position Beginning of Year</i>	<u>53,941</u>
<i>Net Position End of Year</i>	<u>\$ 52,238</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, 2014*

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

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

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

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

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

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

On October 5, 1999, the School District submitted an application to the Ohio School Facilities Commission based on a ten-year eligibility list. The approved \$22,245,074 school classroom facilities grant included new elementary and middle school buildings, and significant upgrades of the heating, ventilating and air conditioning systems in the existing high school building.

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

The two new buildings opened in January, 2005. Grades Pre-K through 4 are housed at the new Ripley Elementary School. Grades 5 through 8 are housed at the new Aberdeen Middle School. Grades 9 through 12 are housed at the remodeled Ripley High School. Finish work and the demolition of the old school building (former Elementary building) were completed in the summer of 2005. All of the basic remodeling work on the high school was complete by June 30, 2006.

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

The School District serves an area of 99 square miles. It is located in Brown County, including all of the Villages of Ripley, Aberdeen and Higginsport, and portions of surrounding townships. The Board of Education controls the School District's three instructional support facilities staffed by 31 non-certificated and 74 teaching personnel and 13 administrative employees providing education to 980 students.

*Reporting Entity:*

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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

The following activities are included within the reporting entity:

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

The School District participates in four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments (SCOCA COG), the Unified Purchasing Cooperative of the Ohio River Valley (UPC), the Brown County Schools Benefits Consortium, and the 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 ACCOUNTING POLICIES**

**Basis of Accounting**

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

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

**Fund Accounting**

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

*Governmental Funds:*

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid.

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

*General Fund* – The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal 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, 2014*

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

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

**Fund Financial Statements**

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

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

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

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

**Cash Disbursements**

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

**Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on 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, 2014*

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated receipts. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. Prior to fiscal year-end, the School District passed a supplemental appropriation that matched appropriations to disbursements and encumbrances for the fiscal year.

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2014, the School District's investments were limited to certificates of deposit, and funds invested in the State Treasury Asset Reserve of Ohio (STAROhio). Certificates of deposit are recorded at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014.

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 All Other Governmental Funds, during fiscal year 2014 amounted to \$3,275, \$195, and \$89, respectively.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**Capital Assets and Depreciation**

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

**Compensated Absences**

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

**Long-Term Obligations**

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**Net Position**

Net cash position represents the cash assets held by the School District at year end. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net position restricted for state and federal programs. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available. As of June 30, 2014, of the School District's \$1,804,086 in restricted net position, none was restricted by enabling legislation.

**Fund Balance**

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

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

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

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

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

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

The School District applies restricted resources first when 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.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**Interfund Transactions**

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

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget (budgetary basis) and actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

Net Change in Fund Balance	
	General Fund
Cash Basis (as reported)	<u>\$921,210</u>
Perspective Difference:	
Activity of Funds Reclassified	(6,669)
Encumbrances	<u>(188,108)</u>
Budget Basis	<u><u>\$726,433</u></u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits**

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

As of June 30, 2014, the District's bank balance of \$1,680,983 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, 2014, the School District had the following investment:

	Fair Value	Maturity
STAROhio	<u>\$3,134,928</u>	<1 Year

**Interest Rate Risk**

The School District's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The policy further states that no investment shall be made that will cause the average duration of the School District's portfolio to exceed 3.5 years.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax receipts received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 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.

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$87,694,270	92.20%	\$88,699,570	91.77%
Public Utility Personal	7,419,120	7.80%	7,958,900	8.23%
Total Assessed Value	<u>\$95,113,390</u>	<u>100.00%</u>	<u>\$96,658,470</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$34.60		\$31.60

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 6 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Ohio School Plan for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$52,686,990.

The School District's vehicles are covered by Ohio School Plan and hold a \$250 deductible for comprehensive coverage and a \$500 deductible for collision coverage for autos other than buses. Buses hold a \$1,000 deductible for both comprehensive and collision coverage. Automobile liability has a \$3,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years. There has been no significant change in liability coverage from the prior year.

**B. Workers' Compensation**

For fiscal year 2014, the School District participated in a 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. Comp Management provides administrative, cost control, and actuarial services to the program.

**C. Employee Medical Benefits**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 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.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$207,552, \$198,456, and \$189,792, respectively, which equaled the required annual contribution for each year.

**State Teachers Retirement System**

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

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

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain under their current plan.

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

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For fiscal year 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$603,804, \$632,508, and \$672,336, respectively; which were equal to the required amounts for those years.

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

Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System**

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$43,129, \$45,179, and \$48,024, for fiscal years 2014, 2013, and 2012, respectively; which is equal to the required amounts for those years.

**School Employees Retirement System**

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

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$11,267, \$10,490, and \$10,167, which equaled the required contributions for those years.

**Health Care Plan**

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

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2014, 2013, and 2012 fiscal years equaled \$23,127, \$23,232, and \$30,103, respectively; which is equal to the required amounts for those years.

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

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

**NOTE 9 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. This vacation time is to be used within the following fiscal year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for teachers and administrators, and 220 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 65 days for teachers and administrators, and a maximum of 55 days for classified employees.

**B. Insurance Benefits**

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

**C. Deferred Compensation**

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

**D. Retirement Incentive**

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

In fiscal year 2014, the School District made the eleventh scheduled payment in the amount of \$32,000 and also made interest payments of \$19,850. The outstanding principal amount on the lease at June 30, 2014 is \$356,000.

During fiscal year 2013, the School District entered into a new lease agreement for a bus. The bus lease was in the amount of \$54,064 and is scheduled for payments of \$18,953, including interest for three years. The outstanding principal amount of the lease at June 30, 2014 is \$36,496.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014:

Fiscal Year Ending June 30,	Total Payments
2015	\$70,312
2016	69,691
2017	51,037
2018	51,198
2019	50,257
2020-2023	199,587
Total	492,082
Less: Amount Representing Interest	(99,586)
Present Value of Minimum Lease Payments	<u><u>\$392,496</u></u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

Governmental Activities	Amount	Additions	Deductions	Amount	Amounts
	Outstanding 6/30/13			Outstanding 6/30/14	Due in One Year
General Obligation Bonds:					
School Improvement Refunding Bonds					
Capital Appreciation Bonds 5.9775%	\$181,846	\$0	\$94,495	\$87,351	\$87,351
School Improvement Bonds 7/1/1998 4.75% - 5.05%	125,000	0	125,000	0	0
Classroom Facilities Bonds 9/1/2002:					
Capital Appreciation Bonds 9.914%	67,000	0	0	67,000	24,526
Classroom Facilities Bonds 3/8/2012:					
Serial Bonds 0.6% to 1.0%	100,000	0	100,000	0	0
Term Bonds 4.6% to 4.9%	710,000	0	0	710,000	10,000
Capital Appreciation Bonds 28.19%	10,000	0	0	10,000	0
Total General Obligation Bonds	1,193,846	0	319,495	874,351	121,877
Capital Leases	442,064	0	49,568	392,496	51,018
Total Governmental Activities					
Long-Term Obligations	<u>\$1,635,910</u>	<u>\$0</u>	<u>\$369,063</u>	<u>\$1,266,847</u>	<u>\$172,895</u>

***School Improvement Refunding Bonds***

On February 12, 1998, the School District issued \$2,749,992 in School Improvement Refunding Bonds (\$1,715,000 in current interest bonds and \$1,034,992 in capital appreciation bonds) to defease a 1991 general obligation bond issue by entering into an escrow agreement with Star Bank. The bonds were issued for a seventeen year period with final maturity on December 1, 2014. The bonds are being paid from the Bond Retirement Fund. All of the original defeased 1991 bonds were retired as of December 1, 2001. As of June 30, 2014, capital appreciation bonds in the amount of \$87,351 were outstanding. The capital appreciation bonds will mature in fiscal year 2015 in the amount of \$235,000.

***School Improvement Bonds***

On July 1, 1998, the School District issued \$1,300,000 in general obligation bonds for the purpose of improving, remodeling, renovating and making additions to school facilities. The bonds were issued for a fifteen year period with final maturity on December 1, 2013. The bonds were paid from the Bond Retirement Fund and were paid off during 2014.

***2002 Classroom Facilities Bonds***

On September 1, 2002, the School District issued \$1,557,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. The bonds were issued for a twenty-three year period with final maturity in December 2024. The bonds are being retired from the Bond Retirement Fund and the serial bonds were paid off during 2013.

The capital appreciation bonds, issued at \$67,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 through 2017. The maturity amounts of the capital appreciation bonds are \$80,000 in each fiscal year from 2015 through 2017. For fiscal year 2014, the capital appreciation bonds were accreted \$18,728 for a total of \$160,954.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

***2012 Classroom Facilities Bonds***

On March 8, 2012, the School District issued \$835,000 in voted general obligation bonds for the purpose of advance refunding the 2002 Classroom Facilities Bonds. The bonds were issued for a thirteen year period with final maturity in 2025. The bonds are being retired from the Bond Retirement Fund. The School District placed \$873,261 with the refunded escrow agent to purchase U.S. Treasury Securities to be held in an irrevocable escrow account and held until the Refunded Bonds in the amount of \$835,000 were redeemed in December of 2012.

The serial bonds, issued at \$115,000 with maturity dates of December 1, 2012 to December 1, 2013, were subject to optional redemption in whole or in part on any date at the option of the issuer on or after December 1, 2013. These bonds were paid off during 2014.

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 2014, the capital appreciation bond was accreted \$4,175 for a total of \$8,009.

The School District's overall legal debt margin was \$7,824,911 with an unvoted debt margin of \$96,658 at June 30, 2014.

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, 2014, are as follows:

**School Improvement Refunding Capital Appreciation Bonds**

Fiscal year Ending June 30,	Principal			Interest			Total	
	2015	Total						
	\$87,351			\$147,651			\$235,002	
	<u>\$87,351</u>			<u>\$147,651</u>			<u>\$235,002</u>	

**Classroom Facilities Bonds**

Fiscal year Ending June 30,	2012 School Facility				2002 School Facility				Total	
	Term Bonds	Capital Appreciation		Capital Appreciation Principal	Capital Appreciation Interest	Capital Appreciation Principal	Capital Appreciation Interest			
		Principal	Bonds Interest							
2015	\$10,000	\$15,175		\$0	\$0	\$24,526	\$59,343		109,044	
2016	10,000	15,040		0	0	22,263	53,868		101,171	
2017	10,000	14,905		0	0	20,211	59,789		104,905	
2018	90,000	14,230		0	0	0	0		104,230	
2019	95,000	12,720		0	0	0	0		107,720	
2020-2024	390,000	40,449	10,000	90,000		0	0		530,449	
2025	105,000	1,378	0	0		0	0		106,378	
Total	<u>\$710,000</u>	<u>\$113,897</u>	<u>\$10,000</u>	<u>\$90,000</u>		<u>\$67,000</u>	<u>\$173,000</u>		<u>\$1,163,897</u>	

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 12 - INTERFUND ACTIVITY**

**Interfund Advances**

The School District made the following advances during fiscal year 2014:

Interfund Advances	Advances In	Advances Out
General Fund	\$ 391,410	\$ 463,867
Other Governmental Funds	463,867	391,410
Total Advances	<u>\$ 855,277</u>	<u>\$ 855,277</u>

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

**Interfund Transfers**

As of June 30, 2014, transfers were as follows:

Interfund Transfers	Transfers In	Transfers Out
General Fund	\$ -	\$ 8,764
Other Governmental Funds	8,764	-
Total Transfers	<u>\$ 8,764</u>	<u>\$ 8,764</u>

The Title I School Improvement Fund received a transfer in from the General Fund in order to purchase teaching materials for the students of the District.

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

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

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, and public libraries from 22 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA COG \$154,729 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

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

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of 58 public school districts, 88 non-public schools, three joint vocational school districts, one board of developmental disabilities, two head start programs, four educational service centers, and two 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.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS** *(continued)*

**B. Unified Purchasing Cooperative of the Ohio River Valley** *(continued)*

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 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 and carried forward to be used for the same purposes in future fiscal years.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 16 - SET-ASIDE CALCULATIONS** (*continued*)

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Fiscal Year Set-aside Requirement	176,979
Current Fiscal Year Offsets	(87,852)
Current Fiscal Year Qualifying Disbursements	<u>(89,127)</u>
Set-aside Balance Carried Forward to Future Years	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2014	<u><u>\$0</u></u>

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

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

The District is currently party to legal proceedings. However, it is the opinion of management that any results of such proceedings will not likely have a material adverse effect on the County's financial condition.

**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 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 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES** (*continued*)

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

**NOTE 20 - FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for</b>					
Other Purposes	\$0	\$0	\$0	\$90,865	\$90,865
Construction	0	0	865,171	0	865,171
Food Service Operations	0	0	0	65,244	65,244
Classroom Facilities Maintenance	0	0	0	177,581	177,581
Athletics	0	0	0	29,967	29,967
Debt Services Payments	0	575,258	0	0	575,258
Total Restricted	<u>0</u>	<u>575,258</u>	<u>865,171</u>	<u>363,657</u>	<u>1,804,086</u>
<b>Committed to</b>					
Pay to Participate	6,132	0	0	0	6,132
<b>Assigned to</b>					
Other Purposes	213,742	0	0	0	213,742
<b>Unassigned (Deficit)</b>					
Total Fund Balances	<u>\$2,827,604</u>	<u>\$575,258</u>	<u>\$865,171</u>	<u>\$332,571</u>	<u>\$4,600,604</u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 21 – ACCOUNTABILITY**

The following fund had a deficit fund balance at June 30, 2014.

Other Governmental Funds	Deficit
IDEA Part B	\$31,086

This deficit was created as this fund is awaiting receipt of requested grant funds.

**Ripley Union Lewis Huntington Local School District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2014*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$107,352	\$0	\$107,352	\$0
National School Lunch Program	3L60	10.555	226,998	29,645	226,998	29,645
Total Child Nutrition Cluster			<u>334,350</u>	<u>29,645</u>	<u>334,350</u>	<u>29,645</u>
Total United States Department of Agriculture			334,350	29,645	334,350	29,645
<b><u>United States Department of Education</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	279,052	0	323,405	0
Title I Grants to Local Educational Agencies	3M00	84.010	499,491		517,306	0
ARRA - State Fiscal Stabilization Fund - Race-to-the-						
Top Incentive Grants, Recovery Act	3FD0	84.395	56,464	0	52,182	0
Twenty-First Century Community Learning Centers	3Y20	84.287	151,031	0	187,254	0
Improving Teacher Quality State Grants	3Y60	84.367	<u>77,512</u>	<u>0</u>	<u>107,853</u>	<u>0</u>
Total United States Department of Education			1,063,550	0	1,188,000	0
Total Federal Financial Assistance			<u>\$1,397,900</u>	<u>\$29,645</u>	<u>\$1,522,350</u>	<u>\$29,645</u>

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Schedule of Federal Awards Expenditures*

*For the Fiscal Year Ended June 30, 2014*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the District and has been prepared on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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**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***

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2014, wherein we noted the District follows the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.



Ripley Union Lewis Huntington Local School District  
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*  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

**District's Response to Finding**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 15, 2014



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**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

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

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

We have audited Ripley Union Lewis Huntington Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Ripley Union Lewis Huntington Local School District  
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133  
Page 2

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 detect and correct, noncompliance with a type of 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 type of compliance requirement of a federal program 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 a type of 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 15, 2014

**Ripley Union Lewis Huntington Local School District***Schedule of Findings and Questioned Costs**OMB Circular A-133 Section .505**For the Fiscal Year Ended June 30, 2014***Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major program(s):	Title I Grants to Local Educational Agencies (CFDA #84.010); Special Education – Grants to States (CFDA #84.027)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings****Finding 2014-001****Noncompliance – Financial Reporting**

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

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit presumably material assets, liabilities, fund equities, and disclosures. Pursuant to Ohio Revised Code Section 117.38, the District is subject to fines and various other administrative remedies. The District should consider filing on a GAAP basis in order to comply with state regulations.

**Client Response:**

The client chose not to respond.

**Ripley Union Lewis Huntington Local School District**

*Schedule of Findings and Questioned Costs*

*OMB Circular A-133 Section .505*

*For the Fiscal Year Ended June 30, 2014*

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**Finding 2014-002**

**Material Weakness – Food Service Internal Controls**

Having sound internal control procedures in place over the food service function is essential to ensure the District has properly accounted for financial activity, such as collections on sales, and nonfinancial activity, such as breakfast, lunch, and ala carte counts. Failure to have a properly functioning system in place can result in errors in reporting, misappropriation of assets, and inaccurate tracking of inventory.

The District lacks a proper segregation of duties which would help ensure that reported collections are accurate and complete and that deposits are made properly. The District's cashier receives all monies, inputs sales information into the cash register system, prepares deposit tickets, and deposits funds directly with the bank. A second employee should be involved in this process to ensure that collections are reported in full, are properly reconciled to the cash register system, and deposited in the accurate amount. Implementation of such processes should mitigate risk of errors in reporting and incomplete deposits.

Furthermore, the District does not have a system in place for adjusting student accounts. Cashiers have access to adjust student accounts and there is no process in place for monitoring of voids by the supervisor. The supervisor should review and sign off on all adjustments to student accounts to mitigate the risk of unauthorized adjustments and/or theft of funds.

The District does not have a sufficient tracking system in place for the sale of milk, snacks, and ala carte items. Failure to maintain sufficient records of sale of such items could result in inaccurate reporting of sales to oversight agencies or to the accounting department for posting to the accounting system, and increases the risk of theft of inventory. The District should implement a sufficient inventory sales tracking system for such items to ensure completeness of inventory on hand and recording of receipts.

The Treasurer's office prepares daily sales reports for the lunchroom (CN reports) based on information provided on deposit tickets prepared by the cashiers. However, these reports are not reviewed by a supervisor to ensure accuracy. As a result, errors in the CN reports can go undetected and may result in an underreporting of activity to the State. During the testing of a sample of days' CN reports, we noted that one day's deposit did not reconcile with the CN report. The District should implement the appropriate review procedures over reporting to ensure accuracy and completeness of these reports.

**Client Response:**

The Treasurer will meet with the Lunchroom Supervisors to establish controls to address weaknesses.

**Section III – Federal Award Findings and Questioned Costs**

**None**

**Ripley Union Lewis Huntington Local School District**

*Schedule of Prior Audit Findings*

*OMB Circular A-133 Section .315(b)*

*For the Fiscal Year Ended June 30, 2014*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
Finding 2013-001	Material Noncompliance – Ohio Revised Code Section 117.38	No	Reissued as finding 2014-001
Finding 2013-002	Material Noncompliance – Ohio Revised Code Section 5705.41(D)	Yes	

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# Dave Yost • Auditor of State

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT

BROWN COUNTY

#### CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MARCH 24, 2015