

Ripley Union Lewis Huntington Local School District  
Brown County, Ohio  
Single Audit  
For the Fiscal Year Ended June 30, 2016



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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ripley Union Lewis Huntington Local School District, Brown County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 30, 2017

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**Ripley Union Lewis Huntington Local School District**  
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For the Fiscal Year Ended June 30, 2016

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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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ripley Union Lewis Huntington Local School District, Brown County, (the School District) as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***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 the School District as of June 30, 2016, 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 School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The schedule of federal awards expenditures presents additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Information***

We applied no procedures to Management's Discussion and Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



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

November 18, 2016

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
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, 2016. 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 \$1,324,572.
- General cash receipts accounted for \$10,726,569 or 80 percent of all cash receipts. Program specific cash receipts in the form of charges for services, sales, grants, and contributions accounted for \$2,748,226 or 20 percent of total governmental cash receipts.
- The School District had \$12,150,223 in cash disbursements; only \$2,748,226 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, 2016  
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 2016, 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 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, 2016  
Unaudited

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position for fiscal years 2016 and 2015:

(Table 1)  
Net Position - Cash Basis  
Governmental Activities

	2016	2015	Change
<b>Assets</b>			
Current Assets	\$6,864,048	\$5,539,476	\$1,324,572
Total Assets	<u>6,864,048</u>	<u>5,539,476</u>	<u>1,324,572</u>
<b>Net Position</b>			
Restricted	2,113,403	1,785,183	328,220
Unrestricted	<u>4,750,645</u>	<u>3,754,293</u>	<u>996,352</u>
Total Net Position	<u>\$6,864,048</u>	<u>\$5,539,476</u>	<u>\$1,324,572</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 2016 and 2015.

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

(Table 2)  
Change in Net Position  
Governmental Activities

	2016	2015	Change
<b>Cash Receipts</b>			
Program Cash Receipts:			
Charges for Services and Sales	\$514,407	\$464,530	\$49,877
Operating Grants and Contributions	2,233,819	2,362,253	(128,434)
Total Program Cash Receipts	<u>2,748,226</u>	<u>2,826,783</u>	<u>(78,557)</u>
General Cash Receipts:			
Property Taxes	2,486,347	2,358,025	128,322
Grants and Entitlements not			
Restricted to Specific Programs	7,225,660	6,785,531	440,129
Interest	20,711	8,089	12,622
Energy Conservation Bonds Issued	900,000	0	900,000
Insurance Recoveries	17,945	86,442	(68,497)
Gifts and Donations not Restricted to Specific Programs	4,506	3,984	522
Proceeds from Sale of Capital Assets	750	5,700	(4,950)
Miscellaneous	41,513	31,293	10,220
Refund of Prior Year Expenditures	29,137	32,620	(3,483)
Total General Cash Receipts	<u>10,726,569</u>	<u>9,311,684</u>	<u>1,414,885</u>
Total Cash Receipts	<u>\$13,474,795</u>	<u>\$12,138,467</u>	<u>\$1,336,328</u>

(continued)

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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

	2016	2015	Change
<b>Program Cash Disbursements</b>			
Instruction:			
Regular	\$4,187,131	\$4,127,299	\$59,832
Special	1,281,889	1,457,925	(176,036)
Vocational	525,836	402,221	123,615
Student Intervention Services	77,846	105,039	(27,193)
Support Services:			
Pupils	588,964	495,994	92,970
Instructional Staff	184,055	238,661	(54,606)
Board of Education	101,791	96,281	5,510
Administration	877,239	842,234	35,005
Fiscal	300,968	289,986	10,982
Operation and Maintenance of Plant	1,306,786	1,137,313	169,473
Pupil Transportation	949,543	620,828	328,715
Central	412,751	263,221	149,530
Operation of Non-Instructional Services	598,230	551,873	46,357
Extracurricular Activities	177,726	160,232	17,494
Capital Outlay	383,596	0	383,596
Debt Service:			
Principal	84,741	172,895	(88,154)
Interest and Fiscal Charges	89,991	237,593	(147,602)
Issuance Costs	15,000	0	15,000
Refund of Prior Year Receipts	6,140	0	6,140
<b>Total Program Cash Disbursements</b>	<b>12,150,223</b>	<b>11,199,595</b>	<b>950,628</b>
Increase in Net Position	1,324,572	938,872	385,700
Net Position at Beginning of Year	5,539,476	4,600,604	938,872
Net Position at End of Year	<b>\$6,864,048</b>	<b>\$5,539,476</b>	<b>\$1,324,572</b>

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 54 percent of cash receipts for governmental activities and Property Tax Receipts made up 18 percent of the total cash receipts for a total of 72 percent of the School District's cash receipts. Operating grants and contributions decreased due to decreased grant revenue in the Title I and the food service programs, which was partially offset by an increase in grant money in the classroom facilities maintenance program. Grants and entitlements not restricted to specific programs increased due to additional state foundation funding in 2016.

Regular instruction comprises 34 percent of governmental program cash disbursements. Special Instruction decreased due to staffing changes. Operation and maintenance of plant disbursements increased due to repairs to paving parking lots in 2016. Pupil transportation services increased due to the purchase of two buses in 2016. Capital outlay disbursements increased due to the Energy Conservation project as \$900,000 in energy conservation bonds were issued. Central disbursements increased due to the School District entering into two new service contracts with SCOCA for the provision of 500 megabyte managed internal broadband services, and for VOIP Services.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
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 2016 and 2015.

(Table 3)  
Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	\$6,072,702	\$4,589,571	\$6,092,484	\$4,473,368
Support Services	4,722,097	4,226,969	3,984,518	3,441,724
Operation of Non- Instructional Services	598,230	(38,442)	551,873	(13,193)
Extracurricular Activities	177,726	44,431	160,232	60,425
Capital Outlay	383,596	383,596	0	0
Debt Service:				
Principal	84,741	84,741	172,895	172,895
Interest and Fiscal Charges	89,991	89,991	237,593	237,593
Issuance Costs	15,000	15,000	0	0
Refund of Prior Year Receipts	6,140	6,140	0	0
Total Disbursements	<u>\$12,150,223</u>	<u>\$9,401,997</u>	<u>\$11,199,595</u>	<u>\$8,372,812</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 \$13,714,154 and cash disbursements and other financing uses of \$12,389,582. The net change in fund balance for the fiscal year was an increase of \$996,352 in the General Fund which was due to receipts being more than disbursements. The net change in fund balance for the fiscal year in the Construction Fund was a decrease of \$49,198.

**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 2016, 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 \$1,247,696 above the final budgeted amount in the General Fund and was \$1,764,669 above the original budgeted amount.

For the General Fund, original budgeted receipts and other financing sources were \$10,856,971 and final budgeted receipts and other financing sources were \$10,736,112. This represents a decrease in estimated receipts and other financing sources of \$120,859, which was primarily due to a decrease in intergovernmental receipt estimates. There was a \$55,565 difference between the actual budget basis receipts and other financing sources and final budgeted receipts and other financing sources.

**Ripley Union Lewis Huntington Local School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2016  
 Unaudited

Original budgeted disbursements and other financing uses in the General Fund were \$11,702,319 and final budgeted disbursements and other financing uses were \$11,064,487. This represents a decrease in estimated disbursements and other financing uses of \$637,832, which was primarily due to a decrease in pupil support service disbursements and advances out. The difference between actual budget basis disbursements and other financing uses and final budgeted disbursements and other financing uses was \$1,303,261 due mainly to a reduction of disbursements for regular instruction, special instruction, operation and maintenance of plant and advances out.

**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 \$383,596 in capital outlay disbursements during fiscal year 2016.

***Debt***

At June 30, 2016 the School District had \$1,620,211 in bonds outstanding. \$90,211 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

	2016	2015
General Obligation Bonds:		
2003 Classroom Facilities Bonds 9.914%	\$ 20,211	\$ 42,474
2012 Classroom Facilities Refunding Bonds 0.6%-28.19%	700,000	710,000
Energy Conservation Improvements Bonds 0.75% to 2.90%	900,000	-
Totals	<u>\$ 1,620,211</u>	<u>\$ 752,474</u>

The School District's overall legal debt margin was \$7,789,001, and the unvoted debt margin was \$104,547 at June 30, 2016.

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 School District has 284,780 square feet of building space. Utilities are projected to decrease as a result of the School District's HB264 Energy Savings Project, while service costs are projected to continue to increase as a result of repair and maintenance on the buildings and grounds as the facilities age.

State revenues are approximately 70% of this School District's projected General operational revenues, thus variations in the State budget significantly impact our overall educational program. Changes in the State economy 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. For fiscal years 2016 and 2017, the State is funding schools based on the biennial budget as contained in Am. Sub. H.B. 264 approved in June 2015. The School District has realized moderate funding increases under this budget formula; however, funding beyond fiscal year 2017 is unknown.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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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.

**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, 2016*

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	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,864,048</u>
	<u>6,864,048</u>
NET POSITION:	
Restricted for:	
Debt Service	374,927
Capital Projects	1,410,220
Food Service Operations	88,802
Classroom Facilities Maintenance	181,684
Other Purposes	57,770
Unrestricted	<u>4,750,645</u>
<i>Total Net Position</i>	<u><u>\$6,864,048</u></u>

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

**Ripley Union Lewis Huntington Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2016

	Program Cash Receipts			Net (Cash Disbursements)
	Cash	Charges for	Operating Grants and	Cash Receipts and
	Disbursements	Services and Sales	Contributions	Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,187,131	\$144,874	\$82,338	(\$3,959,919)
Special	1,281,889	33,314	1,100,865	(147,710)
Vocational	525,836	19,028	33,879	(472,929)
Student Intervention Services	77,846	131	68,702	(9,013)
Support Services:				
Pupils	588,964	19,873	35,621	(533,470)
Instructional Staff	184,055	4,235	62,019	(117,801)
Board of Education	101,791	3,683	-	(98,108)
Administration	877,239	25,199	163,810	(688,230)
Fiscal	300,968	10,399	1,240	(289,329)
Operation and Maintenance of Plant	1,306,786	39,755	78,807	(1,188,224)
Pupil Transportation	949,543	27,800	7,798	(913,945)
Central	412,751	14,889	-	(397,862)
Operation of Non-Instructional Services	598,230	84,202	552,470	38,442
Extracurricular Activities	177,726	87,025	46,270	(44,431)
Capital Outlay	383,596	-	-	(383,596)
Debt Service:				
Principal	84,741	-	-	(84,741)
Interest and Fiscal Charges	89,991	-	-	(89,991)
Issuance Costs	15,000	-	-	(15,000)
Refund of Prior Year Receipts	6,140	-	-	(6,140)
<i>Total Governmental Activities</i>	<u>\$12,150,223</u>	<u>\$514,407</u>	<u>\$2,233,819</u>	<u>(9,401,997)</u>
<b>General Cash Receipts</b>				
Property Taxes Levied for:				
General Purposes				2,079,930
Capital Outlay				255,041
Debt Service				111,479
Classroom Facilities				39,897
Grants and Entitlements not Restricted to Specific Programs				7,225,660
Interest				20,711
Insurance Recoveries				17,945
Energy Conservation Bonds Issued				900,000
Gifts and Donations not Restricted to Specific Programs				4,506
Proceeds from Sale of Capital Assets				750
Miscellaneous				41,513
Refund of Prior Year Expenditures				29,137
<i>Total General Cash Receipts</i>				<u>10,726,569</u>
<i>Change in Net Position</i>				1,324,572
<i>Net Position at Beginning of Year</i>				<u>5,539,476</u>
<i>Net Position at End of Year</i>				<u>\$6,864,048</u>

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

**Ripley Union Lewis Huntington Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2016*

	<u>General</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	\$ 4,750,645	\$ 816,414	\$ 1,296,989	\$ 6,864,048
<i>Total Assets</i>	<u>\$ 4,750,645</u>	<u>\$ 816,414</u>	<u>\$ 1,296,989</u>	<u>\$ 6,864,048</u>
<b>FUND BALANCES:</b>				
Restricted	\$ -	\$ 816,414	\$ 1,296,989	\$ 2,113,403
Committed	658	-	-	658
Assigned	69,114	-	-	69,114
Unassigned	4,680,873	-	-	4,680,873
<i>Total Fund Balances</i>	<u>\$ 4,750,645</u>	<u>\$ 816,414</u>	<u>\$ 1,296,989</u>	<u>\$ 6,864,048</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, 2016*

	General	Construction	All Other Governmental Funds	Total Governmental Funds
<b>CASH RECEIPTS:</b>				
Property Taxes	\$ 2,079,930	\$ -	\$ 406,417	\$ 2,486,347
Intergovernmental	7,996,172	-	1,463,307	9,459,479
Interest	17,865	2,598	248	20,711
Tuition and Fees	332,261	-	-	332,261
Rent	10,919	-	-	10,919
Extracurricular Activities	30,419	-	56,606	87,025
Gifts and Donations	4,506	-	-	4,506
Customer Sales and Services	-	-	84,202	84,202
Miscellaneous	36,599	-	4,914	41,513
<i>Total Cash Receipts</i>	<u>10,508,671</u>	<u>2,598</u>	<u>2,015,694</u>	<u>12,526,963</u>
<b>CASH DISBURSEMENTS:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,003,533	-	183,598	4,187,131
Special	920,626	-	361,263	1,281,889
Vocational	525,836	-	-	525,836
Student Intervention Services	3,614	-	74,232	77,846
<b>Support Services:</b>				
Pupils	549,189	-	39,775	588,964
Instructional Staff	117,044	-	67,011	184,055
Board of Education	101,791	-	-	101,791
Administration	696,381	-	180,858	877,239
Fiscal	287,366	-	13,602	300,968
Operation and Maintenance of Plant	1,098,619	40,000	168,167	1,306,786
Pupil Transportation	768,234	-	181,309	949,543
Central	411,464	-	1,287	412,751
Operation of Non-Instructional Services	-	-	598,230	598,230
Extracurricular Activities	127,731	-	49,995	177,726
Capital Outlay	-	11,796	371,800	383,596
<b>Debt Service:</b>				
Principal Retirement	52,478	-	32,263	84,741
Interest and Fiscal Charges	17,214	-	72,777	89,991
Issuance Costs	-	-	15,000	15,000
<i>Total Cash Disbursements</i>	<u>9,681,120</u>	<u>51,796</u>	<u>2,411,167</u>	<u>12,144,083</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>827,551</u>	<u>(49,198)</u>	<u>(395,473)</u>	<u>382,880</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Energy Conservation Bonds Issued	-	-	900,000	900,000
Refund of Prior Year Expenditures	29,137	-	-	29,137
Refund of Prior Year Receipts	(70)	-	(6,070)	(6,140)
Proceed from Sale of Capital Assets	750	-	-	750
Advances In	180,199	-	59,160	239,359
Insurance Recoveries	17,945	-	-	17,945
Advances Out	(59,160)	-	(180,199)	(239,359)
<i>Total Other Financing Sources and Uses</i>	<u>168,801</u>	<u>-</u>	<u>772,891</u>	<u>941,692</u>
<i>Net Change in Fund Balances</i>	996,352	(49,198)	377,418	1,324,572
<i>Fund Balances at Beginning of Year</i>	<u>3,754,293</u>	<u>865,612</u>	<u>919,571</u>	<u>5,539,476</u>
<i>Fund Balances at End of Year</i>	<u>\$ 4,750,645</u>	<u>\$ 816,414</u>	<u>\$ 1,296,989</u>	<u>\$ 6,864,048</u>

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

**Ripley Union Lewis Huntington Local School District**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget (Budgetary Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2016*

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Cash Receipts and Other Financing Sources	\$ 10,856,971	\$ 10,736,112	\$ 10,680,547	\$ (55,565)
Total Cash Disbursements and Other Financing Uses	11,702,319	11,064,487	9,761,226	1,303,261
Net Change in Fund Balance	(845,348)	(328,375)	919,321	1,247,696
Fund Balance at Beginning of Year	3,336,462	3,336,462	3,336,462	-
Prior Year Encumbrances Appropriated	373,269	373,269	373,269	-
Fund Balance at End of Year	<u>\$ 2,864,383</u>	<u>\$ 3,381,356</u>	<u>\$ 4,629,052</u>	<u>\$ 1,247,696</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, 2016*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 49,524	\$ 56,492
<i>Total Assets</i>	<u>49,524</u>	<u>56,492</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	49,524	-
Unrestricted	<u>-</u>	<u>56,492</u>
<i>Total Net Position</i>	<u><u>\$ 49,524</u></u>	<u><u>\$ 56,492</u></u>

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

**Ripley Union Lewis Huntington Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Gifts and Contributions	\$ 3,000
Interest	145
Total Additions	3,145
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	4,500
Change in Net Position	(1,355)
<i>Net Position Beginning of Year</i>	50,879
<i>Net Position End of Year</i>	\$ 49,524

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, 2016*

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

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

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

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

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

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

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

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

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

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

The School District serves an area of 99 square miles. It is located in Brown County, including all of the Villages of Ripley, Aberdeen and Higginsport, and portions of surrounding townships. The Board of Education controls the School District's three instructional support facilities staffed by 32 non-certificated and 67 teaching personnel and 13 administrative employees providing education to 895 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, 2016*

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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, 2016*

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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.

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

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

*Fiduciary Funds:*

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

**Basis of Presentation**

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

**Government-wide Financial Statements**

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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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. Fiduciary funds are reported by fund type.

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

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

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

**Cash Disbursements**

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

**Budgetary Process**

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

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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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.

**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 2016, 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, 2016.

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 2016 amounted to \$17,865, \$2,598, and \$248, 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 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, 2016*

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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, 2016, of the School District's \$2,113,403 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, 2016*

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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.

**Pensions**

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and 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>\$996,352</u>
Perspective Difference:	
Activity of Funds Reclassified	(13,597)
Encumbrances	<u>(63,434)</u>
Budget Basis	<u><u>\$919,321</u></u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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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, 2016*

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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, 2016, the District's bank balance of \$2,347,149 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, 2016, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$4,774,704</u>	<u>&lt;1 Year</u>

**Interest Rate Risk**

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

**Credit Risk**

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected in 2016 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.

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$89,543,790	91.59%	\$96,622,250	92.42%
Public Utility Personal	8,224,640	8.41%	7,924,550	7.58%
Total Assessed Value	<u>\$97,768,430</u>	<u>100.00%</u>	<u>\$104,546,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

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, 2016*

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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 2016, the School District contracted with Catlin Indemnity Company for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$56,687,890.

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

**B. Workers' Compensation**

For fiscal year 2016, 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 - PENSION PLANS**

**Net Pension Liability**

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

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

**Net Pension Liability (Continued)**

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

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

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire allocation was designated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$213,288 for fiscal year 2015 and \$176,712 for fiscal year 2016.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

**Plan Description - State Teachers Retirement System (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The School District’s contractually required contribution to STRS was \$555,096 for fiscal year 2015 and \$580,554 for fiscal year 2016.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

**Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,270,199	\$11,024,219	\$13,294,418
Proportion of the Net Pension Liability	0.0397855%	0.03988924%	

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.25 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

**Actuarial Assumptions – SERS (Continued)**

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Hedge Funds	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,147,950	\$2,270,199	\$1,531,060

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on the fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$15,313,472	\$11,024,219	\$7,397,016

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2016, none of the Board of Education members has elected Social Security. The contribution rate is 6.2 percent of wages paid.

**NOTE 8 – POST-EMPLOYMENT BENEFITS**

**State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$43,129, respectively, which equaled the required contributions each year.

**School Employees Retirement System**

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

**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 HMO's, PPO's, 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.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 8 – POST-EMPLOYMENT BENEFITS** *(continued)*

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.

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, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent. 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 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$23,992, \$35,595, and \$23,127, respectively, which equaled the required allocation for each year.

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 *Employers/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, 2016*

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**NOTE 10 - LEASES - LESSEE DISCLOSURE**

**A. Capitalized Leases**

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 2016, the School District made the thirteenth scheduled payment in the amount of \$34,000 and also made interest payments of \$16,739. The outstanding principal amount on the lease at June 30, 2016 is \$289,000.

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 was scheduled for payments of \$18,953, including interest for three years. This lease was paid off in fiscal year 2016.

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, 2016:

Fiscal Year Ending June 30,	Total Payments
2017	\$ 51,037
2018	51,198
2019	50,257
2020	50,215
2021	50,071
2022-2023	99,301
Total	352,079
Less: Amount Representing Interest	(63,079)
Present Value of Minimum Lease Payments	<u>\$ 289,000</u>

**B. Operating Leases**

During fiscal year 2016, the School District entered into a lease agreement with Dell Financial Services LLC for computers. The terms of the lease provide for four annual payments of \$57,319 with a final payment of \$8,992 if the School District elects to purchase the computers. The School District made the first payment in October of 2015. The remaining three payments of \$57,319 each will be made in fiscal years 2017, 2018 and 2019. If the School District elects to purchase the computers, a final payment of \$8,992 will be required at that time.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/15	Additions	Deductions	Amount Outstanding 6/30/16	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
Classroom Facilities Bonds 9/1/2002:					
Capital Appreciation Bonds 9.914%	\$ 42,474	\$ -	\$ 22,263	\$ 20,211	\$ 20,211
Classroom Facilities Bonds 3/8/2012:					
Term Bonds 4.6% to 4.9%	700,000	-	10,000	690,000	10,000
Capital Appreciation Bonds 28.19%	10,000	-	-	10,000	-
Energy Conservation Improvements					
General Obligation Bonds 0.75% to 2.90%	-	900,000	-	900,000	60,000
Total General Obligation Bonds	752,474	900,000	32,263	1,620,211	90,211
Capital Leases	341,478	-	52,478	289,000	36,000
Total Governmental Activities					
Long-Term Obligations	<u>\$ 1,093,952</u>	<u>\$ 900,000</u>	<u>\$ 84,741</u>	<u>\$ 1,909,211</u>	<u>\$ 126,211</u>

***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 have and 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 2016, the capital appreciation bonds were accreted \$4,273. Total accreted balance at the end of fiscal year 2016 was \$59,789.

***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 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 2016, the capital appreciation bond was accreted \$7,075 for a total of \$20,519.

***Energy Conservation Improvements Bonds***

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

The School District's overall legal debt margin was \$7,789,001 with an unvoted debt margin of \$104,547 at June 30, 2016.

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, 2016, are as follows:

**Classroom Facilities Bonds**

Fiscal year Ending June 30,	2012 School Facility				2002 School Facility		Total
	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Capital Appreciation Principal	Capital Appreciation Interest	
2017	\$ 10,000	\$ 14,905	\$ -	\$ -	\$ 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	95,000	10,915	0	0	0	0	105,915
2021	0	10,012	10,000	90,000	0	0	110,012
2022-2025	400,000	20,900	0	0	0	0	420,900
Total	<u>\$ 690,000</u>	<u>\$ 83,682</u>	<u>\$ 10,000</u>	<u>\$ 90,000</u>	<u>\$ 20,211</u>	<u>\$ 59,789</u>	<u>\$ 953,682</u>

**Energy Conservation Improvement Bonds**

Fiscal year Ending June 30,	Energy Conservation Improvement Bonds		
	Term Bonds Principal	Term Bonds Interest	Total
2017	\$ 60,000	\$ 19,512	\$ 79,512
2018	55,000	17,635	72,635
2019	55,000	17,016	72,016
2020	55,000	16,288	71,288
2021	55,000	15,490	70,490
2022-2026	290,000	61,236	351,236
2027-2031	330,000	23,668	353,668
Total	<u>\$ 900,000</u>	<u>\$ 170,845</u>	<u>\$ 1,070,845</u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 12 - INTERFUND ACTIVITY**

**Interfund Advances**

The School District made the following advances during fiscal year 2016:

<u>Interfund Advances</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 180,199	\$ 59,160
Other Governmental Funds	59,160	180,199
Total Advances	<u>\$ 239,359</u>	<u>\$ 239,359</u>

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

**NOTE 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 \$322,511 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 fifty three public school districts, eighty one non-public schools, three joint vocational school districts, one board of developmental disabilities, two head start programs, four educational service centers, and six other non-profit organizations in Brown, Butler, Clermont and Hamilton Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

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

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

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**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.

	Capital Acquisition
Set-aside Balance as of June 30, 2015	\$0
Current Fiscal Year Set-aside Requirement	168,446
Current Fiscal Year Offsets	(130,496)
Current Fiscal Year Qualifying Disbursements	(37,950)
Set-aside Balance Carried Forward to Future Years	\$0
Set-aside Balance as of June 30, 2016	\$0

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.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**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, 2016, if applicable, cannot be determined at this time.

**B. Litigation**

The District is not currently party to legal proceedings.

**C. Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**NOTE 18 - COMPLIANCE**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the 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.

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 19 - FUND BALANCES**

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

Fund Balances	General	Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for</b>				
Other Purposes	\$0	\$0	\$30,554	\$30,554
Capital Purposes	0	816,414	593,806	1,410,220
Food Service Operations	0	0	88,802	88,802
Classroom Facilities Maintenance	0	0	181,684	181,684
Athletics	0	0	27,216	27,216
Debt Services Payments	0	0	374,927	374,927
Total Restricted	<u>0</u>	<u>816,414</u>	<u>1,296,989</u>	<u>2,113,403</u>
<b>Committed to</b>				
Chromebook damages	450			450
Pay to Participate	208	0	0	208
	<u>658</u>	<u>0</u>	<u>0</u>	<u>658</u>
<b>Assigned to</b>				
Other Purposes	69,114	0	0	69,114
<b>Unassigned</b>				
	<u>4,680,873</u>	<u>0</u>	<u>0</u>	<u>4,680,873</u>
Total Fund Balances	<u><u>\$4,750,645</u></u>	<u><u>\$816,414</u></u>	<u><u>\$1,296,989</u></u>	<u><u>\$6,864,048</u></u>

**NOTE 20 – SIGNIFICANT COMMITMENTS**

**A. Contractual Commitments**

As of June 30, 2016, the School District had \$511,300 remaining in contractual commitments to Energy Optimizers USA for energy conservation improvements and \$42,559 remaining in contractual commitments to Avant Communication and Technology.

**B. Encumbrances**

At June 30, 2016, the School District had encumbrance commitments in governmental fund as follows:

Fund	Amount
Major Fund:	
General	\$63,434
Non-Major Funds:	
Permanent Improvement	44,559
Building	511,300
Total Non-Major Funds	<u>555,859</u>
Total Encumbrances	<u><u>\$619,293</u></u>

**Ripley Union Lewis Huntington Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 21 – SUBSEQUENT EVENT**

**Metropolitan Educational Technology Association (META) Solutions**

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA) and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments was in the process of merging with META; however, as of the date of this financial report, the merger had not fully been completed.

**Ripley Union Lewis Huntington Local School District**  
*Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,797,184,030</u>	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0397855%	0.039258%	0.039258%
School District's proportionate share of the net pension liability	\$ 2,270,199	\$ 1,986,825	\$ 2,334,547
School District's covered-employee payroll	\$ 1,618,270	\$ 1,152,280	\$ 1,433,931
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.29%	172.43%	162.81%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

(1) Information not available prior to 2013.  
Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Ripley Union Lewis Huntington Local School District**  
*Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,377,578,736</u>	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.03988924%	0.04157417%	0.04157417%
School District's proportionate share of the net pension liability	\$ 11,024,219	\$ 10,112,277	\$ 12,045,678
School District's covered-employee payroll	\$ 3,964,971	\$ 4,574,477	\$ 4,865,446
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	278.04%	221.06%	247.58%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

(1) Information not available prior to 2013.  
Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Ripley Union Lewis Huntington Local School District**  
*Supplementary Information*  
**Schedule of School District Contributions**  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 176,712	\$ 213,288	\$ 159,706	\$ 198,456	\$ 189,792	\$ 226,608	\$ 143,368	\$ 113,475	\$ 131,367	\$ 161,099
Contributions in relation to the contractually required contribution	(176,712)	(213,288)	(159,706)	(198,456)	(189,792)	(226,608)	(143,368)	(113,475)	(131,367)	(161,099)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,340,759	\$ 1,618,270	\$ 1,152,280	\$ 1,433,931	\$ 1,411,093	\$ 1,802,768	\$ 1,058,848	\$ 1,153,201	\$ 1,337,749	\$ 1,508,418
Contributions as a percentage of covered employee payroll	13.18%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**Ripley Union Lewis Huntington Local School District**  
*Supplementary Information*  
**Schedule of School District Contributions**  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 580,554	\$ 555,096	\$ 594,682	\$ 632,508	\$ 672,336	\$ 722,124	\$ 662,628	\$ 625,527	\$ 648,958	\$ 632,769
Contributions in relation to the contractually required contribution	(580,554)	(555,096)	(594,682)	(632,508)	(672,336)	(722,124)	(662,628)	(625,527)	(648,958)	(632,769)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 4,146,814	\$ 3,964,971	\$ 4,574,477	\$ 4,865,446	\$ 5,171,815	\$ 5,554,800	\$ 5,097,138	\$ 4,811,746	\$ 4,991,985	\$ 4,867,454
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Ripley Union Lewis Huntington Local School District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2016*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
<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	\$156,199
National School Lunch Program	3L60	10.555	246,499
Non-Cash Assistance	N/A	10.555	38,129
Total Child Nutrition Cluster			<u>440,827</u>
Child Nutrition Discretionary Grant Limited Availability	3GF0	10.579	<u>32,078</u>
Total United States Department of Agriculture			472,905
<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	210,365
Title I Grants to Local Educational Agencies	3M00	84.010	384,072
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top			
Incentive Grants, Recovery Act	3FD0	84.395	449
Twenty-First Century Community Learning Centers	3Y20	84.287	101,491
Improving Teacher Quality State Grants	3Y60	84.367	76,528
Total United States Department of Education			<u>772,905</u>
Total Federal Financial Assistance			<u><u>\$1,245,810</u></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, 2016*

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**Note 1 – Basis of Presentation**

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the School District's federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the cash financial position or changes in cash financial position of the School District.

**Note 2 – Summary of Significant Accounting Policies**

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

**Note 3 – Food Donation Program**

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

**Note 4 – Child Nutrition Cluster**

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

**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 the Ripley Union Lewis Huntington Local School District, Brown County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 18, 2016, wherein we noted the School 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 School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School 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 2016-001.

### **School District's Response to Finding**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.  
Portsmouth, Ohio

November 18, 2016

**Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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 the Ripley Union Lewis Huntington Local School District's, (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the School District complied, in all material 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, 2016.

### **Report on Internal Control Over Compliance**

Management of the School 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

November 18, 2016

**Ripley Union Lewis Huntington Local School District**

*Schedule of Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2016*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified?	None reported
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?	None reported
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 2 CFR 200.516(a)?		No
Identification of major federal program(s):		Title I Grants to Local Educational Agencies (CFDA #84.010); Nutrition Cluster (CFDA #10.555, 10.553)
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		No

**Section II – Financial Statement Findings**

**Finding 2016-001 – 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 School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit presumably material assets, liabilities, deferred inflows/outflows of resources, fund equities, and disclosures. Pursuant to Ohio Revised Code Section 117.38, the School District is subject to fines and various other administrative remedies. The School District should consider filing on a GAAP basis in order to comply with state regulations.

**Client Response:**

At this point in time the benefits of converting do not justify the cost of converting and maintaining GAAP reporting.

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

None

**Ripley Union Lewis Huntington Local School District**

*Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2016*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2015-001	Material Noncompliance – Ohio Revised Code Section 117.38/Ohio Administrative Code 117-2-03(B)	No	Reissued as finding 2016-001
Finding 2015-002	Material Weakness – Food Service Internal Controls	No	Reissued in part in the Management Letter
Finding 2015-003	Material Noncompliance/Material Weakness - Title I - Procurement and Suspension and Debarment	Yes	
Finding 2015-004	Material Noncompliance/Material Weakness/Questioned Costs – Nutrition Cluster – Reporting	Yes	



# Dave Yost • Auditor of State

**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT**

**BROWN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2017**