



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

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ripley Union Lewis Huntington Local School District
Brown County
120 Main Street
Ripley, Ohio 45167

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ripley Union Lewis Huntington Local School District, Brown County, Ohio as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 4, 2003

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Ripley Union Lewis Huntington Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$605,194	\$211,270	\$704,766	\$2,914,941
Receivables:				
Taxes	1,543,897	15,106	349,573	0
Accounts	2,843	50	0	0
Intergovernmental	17,841	55,809	0	20,688,074
Accrued Interest	22,823	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	20,604	0	0	0
Prepaid Items	36,318	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$2,249,520	\$282,235	\$1,054,339	\$23,603,015

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$52,618	\$39,045	\$0	\$0	\$4,527,834
0	0	0	0	1,908,576
2,724	2,663	0	0	8,280
0	0	0	0	20,761,724
0	0	0	0	22,823
8,723	0	0	0	8,723
309	0	0	0	20,913
565	0	0	0	36,883
10,976	0	16,020,642	0	16,031,618
0	0	0	764,207	764,207
0	0	0	3,078,096	3,078,096
<u>\$75,915</u>	<u>\$41,708</u>	<u>\$16,020,642</u>	<u>\$3,842,303</u>	<u>\$47,169,677</u>

(continued)

Ripley Union Lewis Huntington Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity</u>				
<u>and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$40,675	\$13,320	\$0	\$5,500
Accrued Wages and Benefits	617,044	78,711	0	0
Compensated Absences Payable	41,360	0	0	0
Intergovernmental Payable	160,869	13,299	0	0
Deferred Revenue	1,370,094	65,973	290,132	20,688,074
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	11,589
Notes Payable	0	0	0	1,557,000
General Obligation Bonds Payable	0	0	0	0
	2,230,042	171,303	290,132	22,262,163
Total Liabilities				
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	34,180	18,429	0	15,145
Reserved for Property Taxes	192,104	4,646	55,318	0
Unreserved:				
Undesignated (Deficit)	(206,806)	87,857	708,889	1,325,707
	19,478	110,932	764,207	1,340,852
Total Fund Equity and Other Credits				
Total Liabilities, Fund Equity and Other Credits	\$2,249,520	\$282,235	\$1,054,339	\$23,603,015

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$0	\$0	\$0	\$59,495
19,340	0	0	0	715,095
7,548	0	0	421,699	470,607
14,926	0	0	82,705	271,799
0	2,663	0	0	22,416,936
0	39,045	0	0	39,045
0	0	0	0	11,589
0	0	0	232,907	1,789,907
0	0	0	3,104,992	3,104,992
<u>41,814</u>	<u>41,708</u>	<u>0</u>	<u>3,842,303</u>	<u>28,879,465</u>
0	0	16,020,642	0	16,020,642
17,862	0	0	0	17,862
16,239	0	0	0	16,239
0	0	0	0	67,754
0	0	0	0	252,068
0	0	0	0	1,915,647
<u>34,101</u>	<u>0</u>	<u>16,020,642</u>	<u>0</u>	<u>18,290,212</u>
<u>\$75,915</u>	<u>\$41,708</u>	<u>\$16,020,642</u>	<u>\$3,842,303</u>	<u>\$47,169,677</u>

Ripley Union Lewis Huntington Local School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
<u>Revenues:</u>					
Property Taxes	\$1,601,520	\$36,005	\$430,158	\$0	\$2,067,683
Intergovernmental	6,503,357	1,058,727	55,234	1,373,366	8,990,684
Interest	60,590	315	0	5,658	66,563
Tuition and Fees	167,255	0	0	0	167,255
Rent	5,387	0	0	0	5,387
Extracurricular Activities	0	73,261	0	0	73,261
Gifts and Donations	1,200	2,389	0	45,225	48,814
Miscellaneous	65,321	13,534	0	0	78,855
Total Revenues	8,404,630	1,184,231	485,392	1,424,249	11,498,502
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	3,445,889	245,820	0	14,958	3,706,667
Special	574,731	331,599	0	0	906,330
Vocational	441,971	11,298	0	0	453,269
Adult/Continuing	0	4,232	0	0	4,232
Support Services:					
Pupils	319,290	8,253	0	0	327,543
Instructional Staff	550,489	304,170	0	39,849	894,508
Board of Education	104,197	0	0	0	104,197
Administration	771,313	90,037	0	0	861,350
Fiscal	253,031	1,082	12,943	0	267,056
Operation and Maintenance of Plant	960,013	15,900	0	0	975,913
Pupil Transportation	770,399	6,557	0	0	776,956
Central	72,918	5,226	0	0	78,144
Non-Instructional Services	3,217	27,951	0	0	31,168
Extracurricular Activities	111,209	47,131	0	0	158,340
Capital Outlay	191,232	0	0	62,262	253,494
Intergovernmental	0	14,756	0	0	14,756
Debt Service:					
Principal Retirement	0	0	326,093	0	326,093
Interest and Fiscal Charges	0	0	115,473	11,589	127,062
Total Expenditures	8,569,899	1,114,012	454,509	128,658	10,267,078
Excess of Revenues Over (Under) Expenditures	(165,269)	70,219	30,883	1,295,591	1,231,424
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Fixed Assets	2,912	0	0	0	2,912
Operating Transfers-In	0	0	66,145	0	66,145
Operating Transfers-Out	(88,145)	0	0	0	(88,145)
Total Other Financing Sources (Uses)	(85,233)	0	66,145	0	(19,088)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(250,502)	70,219	97,028	1,295,591	1,212,336
Fund Balances at Beginning of Year	269,980	40,713	667,179	45,261	1,023,133
Fund Balances at End of Year	\$19,478	\$110,932	\$764,207	\$1,340,852	\$2,235,469

See accompanying notes to the general purpose financial statements

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Ripley Union Lewis Huntington Local School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,586,031	\$1,586,031	\$0	\$35,596	\$35,596	\$0
Intergovernmental	6,517,920	6,517,920	0	1,156,009	1,159,459	3,450
Interest	57,507	57,553	46	315	315	0
Tuition and Fees	167,255	167,255	0	0	0	0
Rent	8,382	8,382	0	0	0	0
Extracurricular Activities	0	0	0	72,407	73,261	854
Gifts and Donations	1,200	1,200	0	2,389	2,389	0
Miscellaneous	60,780	61,080	300	13,111	13,111	0
Total Revenues	8,399,075	8,399,421	347	1,279,827	1,284,131	4,304
Expenditures:						
Current:						
Instruction:						
Regular	3,439,670	3,439,670	0	261,850	261,850	0
Special	562,438	562,438	0	338,818	338,818	0
Vocational	433,334	433,334	0	10,092	10,092	0
Adult/Continuing	0	0	0	4,232	4,232	0
Support Services:						
Pupils	309,844	309,844	0	11,753	11,753	0
Instructional Staff	551,256	551,256	0	308,897	308,897	0
Board of Education	110,820	110,820	0	0	0	0
Administration	783,161	783,161	0	79,992	79,992	0
Fiscal	253,478	253,478	0	1,082	1,082	0
Operation and Maintenance of Plant	974,381	974,381	0	17,865	17,865	0
Pupil Transportation	790,828	790,828	0	7,776	7,776	0
Central	73,371	73,371	0	5,226	5,226	0
Non-Instructional Services	3,054	3,054	0	45,732	45,732	0
Extracurricular Activities	104,769	104,769	0	48,814	48,814	0
Capital Outlay	191,232	191,232	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	8,581,636	8,581,636	0	1,142,129	1,142,129	0
Excess of Revenues Over (Under) Expenditures	(182,561)	(182,215)	347	137,698	142,002	4,304
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	2,912	2,912	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(200)	(200)	0
Refund of Prior Year Expenditures	6,160	6,319	159	0	0	0
Operating Transfers-In	0	0	0	0	0	0
Operating Transfers-Out	(88,145)	(88,145)	0	0	0	0
Advances-In	758,594	758,594	0	170,541	170,541	0
Advances-Out	(605,594)	(605,594)	0	(301,541)	(301,541)	0
Total Other Financing Sources (Uses)	73,927	74,086	159	(131,200)	(131,200)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(108,634)	(108,129)	506	6,498	10,802	4,304
Fund Balances at Beginning of Year	582,313	582,313	0	138,836	138,836	0
Prior Year Encumbrances Appropriated	81,303	81,303	0	28,440	28,440	0
Fund Balances at End of Year	\$554,982	\$555,487	\$506	\$173,774	\$178,078	\$4,304

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$425,714	\$425,714	\$0	\$0	\$0	\$0	\$2,047,341	\$2,047,341	\$0
55,234	55,234	0	1,373,366	1,373,366	0	9,102,529	9,105,979	3,450
0	0	0	5,323	5,658	335	63,145	63,526	381
0	0	0	0	0	0	167,255	167,255	0
0	0	0	0	0	0	8,382	8,382	0
0	0	0	0	0	0	72,407	73,261	854
0	0	0	0	0	0	3,589	3,589	0
0	0	0	0	0	0	73,891	74,191	300
480,948	480,948	0	1,378,689	1,379,024	335	11,538,539	11,543,524	4,986
0	0	0	24,933	24,933	0	3,726,453	3,726,453	0
0	0	0	0	0	0	901,256	901,256	0
0	0	0	0	0	0	443,426	443,426	0
0	0	0	0	0	0	4,232	4,232	0
0	0	0	0	0	0	321,597	321,597	0
0	0	0	39,849	39,849	0	900,002	900,002	0
0	0	0	0	0	0	110,820	110,820	0
0	0	0	0	0	0	863,153	863,153	0
12,943	12,943	0	0	0	0	267,503	267,503	0
0	0	0	0	0	0	992,246	992,246	0
0	0	0	0	0	0	798,604	798,604	0
0	0	0	0	0	0	78,597	78,597	0
0	0	0	0	0	0	48,786	48,786	0
0	0	0	0	0	0	153,583	153,583	0
0	0	0	104,736	104,736	0	295,968	295,968	0
326,093	326,093	0	0	0	0	326,093	326,093	0
115,473	115,473	0	0	0	0	115,473	115,473	0
454,509	454,509	0	169,518	169,518	0	10,347,792	10,347,792	0
26,439	26,439	0	1,209,171	1,209,506	335	1,190,747	1,195,732	4,986
0	0	0	1,557,000	1,557,000	0	1,557,000	1,557,000	0
0	0	0	0	0	0	2,912	2,912	0
0	0	0	0	0	0	(200)	(200)	0
0	0	0	45,225	45,225	0	51,385	51,544	159
66,145	66,145	0	0	0	0	66,145	66,145	0
0	0	0	0	0	0	(88,145)	(88,145)	0
66,145	66,145	0	0	0	0	995,280	995,280	0
(66,145)	(66,145)	0	(22,000)	(22,000)	0	(995,280)	(995,280)	0
66,145	66,145	0	1,580,225	1,580,225	0	1,589,097	1,589,256	159
92,584	92,584	0	2,789,396	2,789,731	335	2,779,844	2,784,988	5,144
612,182	612,182	0	18,697	18,697	0	1,352,028	1,352,028	0
0	0	0	85,868	85,868	0	195,611	195,611	0
\$704,766	\$704,766	\$0	\$2,893,961	\$2,894,296	\$335	\$4,327,483	\$4,332,627	\$5,144

Ripley Union Lewis Huntington Local School District
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$251,811
<u>Operating Expenses:</u>	
Salaries	156,102
Fringe Benefits	58,957
Purchased Services	919
Materials and Supplies	38,076
Cost of Sales	254,447
Depreciation	6,370
Other	1,048
Total Operating Expenses	515,919
Operating Loss	(264,108)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	41,175
Interest	1,741
Federal and State Subsidies	236,152
Other	4,763
Total Non-Operating Revenues	283,831
Net Income Before Transfers	19,723
Operating Transfers In	22,000
Net Income	41,723
Retained Earnings (Deficit) at Beginning of Year (Restated - Note 20)	(25,484)
Retained Earnings at End of Year	16,239
Contributed Capital at Beginning of Year	21,294
Less: Depreciation on Fixed Assets Acquired by Contributed Capital	(3,432)
Contributed Capital at End of Year	17,862
Total Fund Equity at End of Year	\$34,101

See accompanying notes to the general purpose financial statements

Ripley Union Lewis Huntington Local School District
Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	250,463	250,463	0
Interest	1,741	1,741	0
Federal and State Subsidies	236,142	236,152	10
Total Revenues	488,346	488,356	10
<u>Expenses:</u>			
Salaries	151,823	151,823	0
Fringe Benefits	61,235	61,235	0
Purchased Services	1,106	1,106	0
Materials and Supplies	251,593	251,593	0
Other	1,047	1,047	0
Total Expenses	466,804	466,804	0
Excess of Revenues Over Expenses	21,542	21,552	10
Advances-In	58,000	58,000	0
Advances-Out	(58,000)	(58,000)	0
Operating Transfers-In	22,000	22,000	0
Excess of Revenues Over Expenses, Transfer and Advances	43,542	43,552	10
Fund Equity at Beginning of Year	8,433	8,433	0
Prior Year Encumbrances Appropriated	292	292	0
Fund Equity at End of Year	\$52,267	\$52,277	\$10

See accompanying notes to the general purpose financial statements

*Ripley Union Lewis Huntington Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2002*

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$250,463
Cash Payments to Suppliers for Goods and Services	(253,405)
Cash Payments to Employees for Services	(151,823)
Cash Payments for Employee Benefits	(61,235)
	(216,000)
Net Cash Used for Operating Activities	(216,000)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	236,152
Operating Transfers-In	22,000
Short-Term Loans from Other Funds	58,000
Repayment of Short-Term Loans	(58,000)
	258,152
Net Cash Provided by Noncapital Financing Activities	258,152
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,741
	1,741
Net Increase in Cash and Cash Equivalents	43,893
Cash and Cash Equivalents at Beginning of Year	8,725
	52,618
Cash and Cash Equivalents at End of Year	\$52,618
 <u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	(\$264,108)
 <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	6,370
Donated Commodities Used During Year	38,746
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	(1,347)
Increase in Prepaid Items	(187)
Decrease in Inventory Held for Resale	2,488
Decrease in Materials and Supply Inventory	37
Increase in Accrued Wages	2,174
Increase in Compensated Absences Payable	1,458
Decrease in Intergovernmental Payable	(1,631)
	48,108
Total Adjustments	48,108
Net Cash Used for Operating Activities	(\$216,000)

During fiscal year 2002, the Food Service Enterprise Fund received \$41,175 in donated commodities.

See accompanying notes to the general purpose financial statements

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

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

In 1990, the School District passed a school bond issue by 62 percent, and assumed a 6.5 mill tax to build a state of the art junior/senior high school. This new building opened in January of 1994, and houses grades 7 – 12. The \$8 million facility includes a 2,000 seat gymnasium, a local area network for computers throughout the building, and many new programs. The School District has experienced tremendous growth. With the new bridge linking Maysville, Kentucky to Aberdeen, Ohio and points north, the route south through Lexington is easily accessible. Land development, economic expansion and State interest in this area have promoted development and a dynamic future for schools.

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 District submitted an application to the Ohio School Facilities Commission based on a ten-year eligibility list. Two years later the District passed a 1.45 mill bond issue to provide a match and maintenance (.5 mill) for a new grade 5 through 8 Middle School, to be located in Aberdeen. Significant upgrades of the heating, ventilating and air conditioning systems in the existing Jr./Sr. High School and Preschool-6 Elementary School were included in the \$22,000,000 project. The Ohio School Facilities Commission agreed to pay 93 percent of the funding of the project, with the District providing a 7 percent local match.

Ripley Union Lewis Huntington Schools (the “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.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

The Ripley Union School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of 91 square miles. It is located in Brown County, including all of the Village of Ripley, and portions of surrounding townships. The Board of Education controls the School District's two instructional support facilities staffed by 56 non-certificated and 98 teaching personnel and 13 administrative employees providing education to 1,358 students.

Reporting Entity

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

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

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the Village of Ripley, Union Township Public Library, Booster Clubs and Parent Teacher Organizations.

The following activities are included within the reporting entity:

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 school by the Treasurer of the School District, as directed by the parochial school. This financial activity is reflected in a special revenue fund for financial reporting purposes.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

The School District participates in four organizations, two of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a public entity risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Brown County Schools Benefits Consortium. The Brown County Schools Benefit consortium is made up of a public entity shared risk pool and an insurance purchasing pool. These organizations are presented in Notes 17, 18 and 19 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - The Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's only proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, accounts, grants, and interest.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Brown County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate at the time the final appropriations were passed.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year for all funds, other than agency funds at the function level, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures and encumbrances for the fiscal year.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, the School District's investments were limited to certificates of deposit and funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investments pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002. Nonnegotiable certificates of deposit are reported at cost.

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$60,590 which includes \$45,468 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories for governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of proprietary funds consist of donated food, purchased food, school supplies held for resale, and supplies and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twenty five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund is computed using the straight-line method over an estimated useful life of eight to twenty years.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences (including the retirement incentive) and contractually required pension obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds and long-term notes are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals-(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation of those assets acquired or constructed with contributed capital is expended and closed to contributed capital at year end.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

The major differences between the budget basis and GAAP basis are that:

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$250,502)	\$70,219	\$97,028	\$1,295,591
Adjustments:				
Revenue Accruals	(5,209)	99,900	(4,444)	(45,225)
Expenditure Accruals	44,289	4,875	0	25,010
Advances (Net)	153,000	(131,000)	0	(22,000)
Note Proceeds	0	0	0	1,557,000
Encumbrances	(49,707)	(33,192)	0	(20,645)
Budget Basis	<u>(\$108,129)</u>	<u>\$10,802</u>	<u>\$92,584</u>	<u>\$2,789,731</u>

Net Income/Excess of Revenues Over Expenses, Transfers and Advances Proprietary Fund Type	
	Enterprise
GAAP Basis	<u>\$41,723</u>
Adjustments:	
Revenue Accruals	(6,111)
Expense Accruals	13,048
Donated Commodities	(2,429)
Prepays	187
Inventory Held for Resale	(2,488)
Materials and Supplies Inventory	(37)
Encumbrances	(341)
Budget Basis	<u><u>\$43,552</u></u>

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

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

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.

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

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

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$3,234,140 and the bank balance was \$3,393,343. Of the bank balance:

1. \$500,000 was covered by federal depository insurance; and
2. \$2,893,343 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

STAR Ohio	<u>Carrying/Fair Value</u>
	\$1,293,694

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting"*.

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,527,834	\$0
Investments:		
STAR Ohio	(1,293,694)	1,293,694
GASB Statement No. 3	\$3,234,140	\$1,293,694

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - PROPERTY TAXES (continued)

2002 real property taxes are levied after April 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. This year, the June 2002 tangible personal property tax settlement was not received until July 2002.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$67,271,930	84.54%	\$67,569,210	87.50%
Public Utility	8,690,730	10.92%	5,317,540	6.88%
Tangible Personal Property	3,616,794	4.54%	4,341,138	5.62%
Total Assessed Value	<u>\$79,579,454</u>	<u>100.00%</u>	<u>\$77,227,888</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.80		\$42.15	

The School District receives property taxes from Brown County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2002, was \$192,104 in the General Fund, \$4,646 in the Classroom Facility Maintenance Special Revenue Fund, and \$55,318 in the Debt Service Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (student fees, tuition and charges for services), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Worth E. Grant	\$13,568
U.S. Marines ROTC Program Reimbursables	4,273
Total General Fund	17,841
Special Revenue Funds:	
Title I	55,809
Capital Projects Funds:	
Classroom Facilities	20,688,074
Total Intergovernmental Receivables	\$20,761,724

NOTE 7 - FIXED ASSETS

A summary of the enterprise fund's fixed assets follows:

Furniture and Equipment	\$162,053
Less Accumulated Depreciation	(151,077)
Net Fixed Assets	\$10,976

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - FIXED ASSETS (continued)

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Restated Balance at 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/02</u>
Land and Land Improvements	\$569,474	\$1,719,228	\$0	\$2,288,702
Buildings and Improvements	10,907,962	0	0	10,907,962
Furniture, Fixtures and Equipment	1,536,970	57,209	23,627	1,570,552
Vehicles	1,315,046	7,000	68,620	1,253,426
Construction in Progress	1,445,585	83,540	1,529,125	0
Totals	<u>\$15,775,037</u>	<u>\$1,866,977</u>	<u>\$1,621,372</u>	<u>\$16,020,642</u>

NOTE 8 - 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. Effective April 29, 2002, the School District contracted with Indiana Insurance Company for property and building blanket group insurance coverage. Professional liability is protected by the Indiana Insurance Company with a \$4,000,000 aggregate limit under a commercial umbrella policy.

The School District's vehicles are covered by the Auto Owners Insurance Company and hold a \$100 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy.

Settled claims have not exceeded this commercial coverage in any of the past three years.

Nationwide Insurance Company discontinued all school insurance policies during the fiscal year. Due to this, the District requested bids from other insurance companies during the year. The new quotes contained significant reductions in coverage (property deductibles increased from \$2,500 to \$5,000 and the aggregate limit decreased by \$1,000,000), along with significant increases in premium costs.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 8 - RISK MANAGEMENT (continued)

B. Worker's Compensation

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Grating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity risk pool (Note 19) consisting of seven districts. 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 and benefits. 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$94,214, \$56,638, and \$58,047, respectively; 53.91 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$43,425 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$412,003, \$402,125, and \$224,452, respectively; 82.71 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$71,247 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$195,159 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$164,284.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. 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 200 days for teachers and administrators, and 190 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days for teachers and administrators, and a maximum of 45 days for classified employees.

B. Insurance and Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Dental insurance through CoreSource, Inc. is not provided by the School District, but is available to all employees through payroll deduction.

NOTE 12 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended June 30, 2002 follows:

	Balance June 30, 2001	Additions	Deletions	Balance June 30, 2002
School Improvement Bond				
Anticipation Notes - 2.33%	\$0	\$1,557,000	\$0	\$1,557,000

On March 5, 2002, the School District issued notes in the amount of \$1,557,000. The notes were issued in anticipation of the issuance of Classroom Facilities General Obligation Bonds for the purpose of building new school facilities. The notes have a maturity date of October 7, 2002, and will be retired with Classroom Facilities Bonds proceeds.

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
School Improvement Refunding Bonds 2/12/1998 3.95% - 5.05%	\$2,164,992	\$0	\$210,000	\$1,954,992
School Improvement Bonds 7/1/1998 4.75% - 5.05%	1,215,000	0	65,000	1,150,000
Total General Obligation Bonds	3,379,992	0	275,000	3,104,992
Vehicle Acquisition Notes 12/1/2000 5.30%	284,000	0	51,093	232,907
Compensated Absences (Restated)	380,636	64,729	23,666	421,699
Intergovernmental Payable	73,744	82,705	73,744	82,705
Total General Long-Term Obligations	<u>\$4,118,372</u>	<u>\$147,434</u>	<u>\$423,503</u>	<u>\$3,842,303</u>

General Obligation Debt for School Improvement Bonds

On February 12, 1998, the School District issued \$2,749,992 in School Improvement Refunding Bonds to defease the 1991 general obligation bonds by entering into an escrow agreement with Star Bank (Note 15). The bonds were issued for a seventeen year period with final maturity on December 1, 2014. The principal and interest will be paid from the debt service fund.

On July 1, 1998, the School District issued \$1,300,000 in general obligation bonds for the purpose of improving, remodeling, renovating and making additions to school facilities. The bonds were issued for a fifteen year period with final maturity on December 1, 2013. The principal and interest will be paid from the debt service fund.

General Obligation Debt for Vehicle Acquisition Notes

On December 1, 2000, the School District issued \$284,000 in unvoted general obligation debt for the purpose of acquiring school buses and other equipment used in transporting pupils. The notes were issued for a five year period with final maturity on December 1, 2005. The principal and interest will be paid from the debt service fund.

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was \$4,609,725 with an unvoted debt margin of \$77,228 at June 30, 2002.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences and intergovernmental payables will be paid from the funds from which the employees' salaries are paid.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are as follows:

School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$285,000	\$88,874	\$373,874
2004	300,000	76,685	376,685
2005	315,000	63,586	378,586
2006	330,000	49,498	379,498
2007	232,901	142,077	374,978
2008-2012	1,114,523	737,389	1,851,912
2013-2015	527,568	444,931	972,499
Total	<u>\$3,104,992</u>	<u>\$1,603,040</u>	<u>\$4,708,032</u>

School Bus Notes

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$53,801	\$12,344	\$66,145
2004	56,653	9,493	66,146
2005	59,637	6,508	66,145
2006	62,816	3,329	66,145
Total	<u>\$232,907</u>	<u>\$31,674</u>	<u>\$264,581</u>

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 14 - LESSOR DISCLOSURE - OPERATING LEASE

In 1997, the School District entered into a 15 year operating lease between the School District and the Brown County Board of Mental Retardation and Developmental Disabilities (BMRDD), for an early childhood center. The valuation at the time of the donation by BMRDD was \$794,027 and this amount has been included in the general fixed assets account group - building improvements. In consideration of BMRDD's funding of the project, the School District receives \$1.00 per year as a lease payment. If the School District terminates the lease, the School District would be required to reimburse BMRDD for a prorated amount of the funding which was provided by BMRDD for construction of the addition over the remainder of the unused lease term as agreed to by the leasing parties. The School District also agrees to insure the building addition against loss by fire or other casualty.

NOTE 15 - DEFEASANCE OF GENERAL OBLIGATION BONDS

On November 1, 1997, the School District entered into an Escrow Trust Agreement with Star Bank, N.A., in anticipation of the February 12, 1998, Bond Issue. The agreement provided for the deposit by the School District of \$3,042,518 into an irrevocable trust with the bank for the payment to final maturity of outstanding General Obligation Bonds. The funds deposited, together with interest earned thereon, is sufficient to pay annual bond principal and semiannual interest payments, thus providing an in-substance defeasance.

During fiscal 2002, the remaining Series 1991 Acquisition/Reconstruction/Remodeling Bonds matured or were called for redemption and were retired as of December 1, 2001. All of the defeased bonds have been paid in full and the School District's financial obligations with respect to the Series 1991 Bonds have been satisfied.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. The table on the next page reflects the more significant financial data relating to the enterprise funds of the Ripley Union Lewis Huntington Local School District as of and for the fiscal year ended.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$227,342	\$24,469	\$0	\$251,811
Depreciation Expense	6,370	0	0	6,370
Operating Loss	(263,874)	(234)	0	(264,108)
Donated Commodities	41,175	0	0	41,175
Operating Grants	236,152	0	0	236,152
Operating Transfers In	22,000	0	0	22,000
Net Income (Loss)	41,957	(234)	0	41,723
Net Working Capital	20,872	9,153	647	30,672
Total Assets	66,115	9,153	647	75,915
Total Equity	24,301	9,153	647	34,101
Encumbrances Outstanding at June 30, 2002	0	341	0	341

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing Board of SCOCA consists of two representatives, from each county in the SCOCA service region, designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$32,276 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Dr., Wilmington, Ohio 45177.

*Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002*

NOTE 18 - INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - PUBLIC ENTITY RISK POOL

Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium, a public entity risk pool. The overall objectives of the Consortium are to formulate and administer a program of health and dental insurance for the benefit of the Consortium members' employees and their dependents. The public entity risk pool is made up of an insurance purchasing pool and a public entity shared risk pool. The insurance purchasing pool provides fully funded medical health insurance benefits directly to consortium member employees, through Medical Mutual of Ohio. The School District pays premiums based on employee membership. Dental insurance is provided through a public entity risk sharing pool. The School District pays dental premiums based on Consortium estimates of future claims. If the School District's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

NOTE 20 – CHANGE IN ACCOUNTING ESTIMATE/RESTATEMENT OF RETAINED EARNINGS/ACCOUNT GROUP BALANCES

Due to an updated inventory in fiscal year 2002, fixed assets were restated in the food service enterprise fund and the general fixed assets account group. The School District also increased the minimum capitalization limit from \$1,000 to \$2,500 and eliminated capitalization of groups of small assets. In addition, compensated absences payable was restated due to the elimination of super severance. The changes had the following effect on fund equity/account group balances as they were previously reported as of June 30, 2001:

	<u>Enterprise Fund</u>	<u>General Fixed Assets Account Group</u>	<u>General Long- Term Obligations Account Group</u>
Balance June 30, 2001	\$31,833	\$17,387,530	\$4,366,168
Restatement of Fixed Assets	(57,317)	(1,612,493)	0
Restatement of Compensated Absences Payable	0	0	(247,796)
Restated Balance June 30, 2001	<u>(25,484)</u>	<u>\$15,775,037</u>	<u>\$4,118,372</u>

Ripley Union Lewis Huntington Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 21 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2001	\$0	\$0	\$34,785
Prior Year Excess Disbursement Carried Forward	(\$93,140)	0	0
Current Year Set-Aside Requirement	178,479	178,479	0
Current Year Offsets	0	(42,365)	0
Qualifying Disbursements	<u>(223,011)</u>	<u>(430,482)</u>	<u>(34,785)</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Required Set-aside Balances Carried Forward to FY 2002	<u><u>(\$137,672)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. Although the School District had qualifying disbursements during the year that reduced the set-aside amounts to below zero for capital acquisition, this extra amount may not be used to reduce the set-aside requirements of future 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 General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 22 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the forms of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

The School District is currently not party to legal proceedings.

NOTE 24 – SUBSEQUENT EVENT

On August 29, 2002, the School District issued \$1,556,999 in School Improvement Bonds as a result of the School District being approved for a \$22,245,074 school classroom facilities grant through the Ohio School Facilities Commission for the construction of a new middle school building and renovation of the existing elementary and high school buildings. The School District issued the general obligation bonds to meet the matching requirement for the school facilities grant. As a requirement of the grant, the voters in the School District passed a levy on November 6, 2001, for the issuance of the general obligation bonds. The 1.45 mill levy will be used for the retirement of the bonds which will be in effect for twenty-three years.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$41,176	\$0	\$38,746
School Breakfast Program	05-PU-01	10.553	7,501	0	7,501	0
	05-PU-01	10.553	40,130	0	40,130	0
			47,631	0	47,631	0
National School Lunch Program	LL-P4-01	10.555	20,289	0	20,289	0
	LL-P4-02	10.555	150,937	0	150,937	0
			171,226	0	171,226	0
Total U.S. Department of Agriculture - Nutrition Cluster			218,857	41,176	218,857	38,746
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1-00	84.010	0	0	50,724	0
	C1-S1-01	84.010	82,149	0	50,862	0
	C1-S1-02	84.010	298,876	0	246,997	0
			381,025	0	348,583	0
Special Education - Grants to States	6B-SF-01	84.027	12,130	0	22,813	0
	6B-SF-02	84.027	112,454	0	90,003	0
Total Special Education Cluster			124,584	0	112,816	0
Safe and Drug -Free Schools and Communities-State Grants	DR-S1-02	84.186	5,853	0	5,191	0
Goals 2000-State and Local Education	G2-S2-00	84.276	0	0	13,490	0
	G2-S2-99	84.276	0	0	357	0
			0	0	13,847	0
Eisenhower Professional Development State Grants	MS-S1-02	84.281	11,307	0	11,084	0
Innovative Educational Program Strategies	C2-S1-01	84.298	0	0	220	0
	C2-S1-02	84.298	7,713	0	7,075	0
			7,713	0	7,295	0
Technology Literacy Challenge Fund Grants	AT-S1-02	84.318	17,318	0	7,081	0
	TF-51-01	84.318	100,000	0	100,000	0
	TF-52-01	84.318	75,000	0	75,000	0
	TF-53-01	84.318	25,000	0	25,000	0
Total Literacy Challenge Fund Grants			217,318	0	207,081	0
Classroom Reduction	CR-S1-01	84.340	6,453	0	19,607	0
	CR-S1-02	84.340	69,155	0	46,224	0
			75,608	0	65,831	0
Learn and Serve America School	G2-SV-01	94.004	0	0	257	0
	SV-S5-02	94.004	30,000	0	27,691	0
	SV-S3-00	94.004	1,000	0	43	0
	SV-S3-01	94.004	13,400	0	12,433	0
			44,400	0	40,424	0
Total Ohio Department of Education			867,808	0	812,152	0
Totals			\$1,086,665	\$41,176	\$1,031,009	\$38,746

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Federal cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had an insignificant amount of food commodities in their inventory.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Ripley Union Lewis Huntington Local School District
Brown County
120 Main Street
Ripley, Ohio 45167

To the Board of Education:

We have audited the financial statements of the Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated April 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10408-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10408-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 4, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 4, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ripley Union Lewis Huntington Local School District
Brown County
120 Main Street
Ripley, Ohio 45167

To the Board of Education:

Compliance

We have audited the compliance of the Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

April 4, 2003

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2002-10408-001

Finding for Recovery

Mr. Donald Spires, Bus Maintenance Supervisor, was responsible for procurement of parts and supplies used for the maintenance of District vehicles. Mr. Spires purchased these items using various vendor specific blanket purchase orders which allowed purchases to be made without getting prior approval for individual items. The ordering, receiving, and approval for these parts and supplies solely rests with Mr. Spires.

**FINDING NUMBER 2002-10408-001
(Continued)**

The District notified the Auditor of State on the possible misappropriation of parts and supplies by Mr. Spires. The District compiled a list of all vendors that Mr. Spires regularly made purchases from. Checks and invoices were then pulled from these vendors starting from July 1, 2001 to the end of Mr. Spires' employment. The District then compiled a listing of expenditures, which appeared not to be used for District purposes and presented the listing to Mr. Spires. These items included:

- Emergency vehicle lighting and equipment
- Pick up truck parts and towing equipment
- Mechanical tools
- Road flares

Mr. Spires reviewed the list of questionable item compiled by the District and signed a statement stating, "I acknowledge that the above items were purchased on school accounts and not used for school purposes." Mr. Spires acknowledged \$13,365 (thirteen thousand three hundred and sixty-five) in misappropriated expenditures. Of the \$13,365 Mr. Spires has forfeited his severance pay of \$8,093, returned misappropriated items for store credit of \$1,273 and made payments to the District on January 13, 2003 for \$300 and February 21, 2003 for \$1,000 leaving a balance due of \$2,699.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding in the amount of \$2,699 (two thousand six hundred ninety-nine), for the illegal expenditure of public monies is hereby issued against Donald Spires and Westfield Bonding Company, jointly and severally.

This matter will be referred to the Brown County Prosecutor and the Ohio Office of the Attorney General for whatever action is deemed necessary.

FINDING NUMBER 2002-10408-002

Reportable Condition – Purchasing Procedures

The District has a Requisitions and Purchases Policy Number 5.02. The policy requires all purchases to be made in a manner that attempts to ensure a maximum value for the District and demands fiscal responsibility by the Board of Education in the operation of the District. As noted in finding 2002-10408-001 Mr. Spires was able to order, receive and approve purchases of personal items without getting prior approval or questioned about the legitimacy of those expenditures contrary to District Policy. We recommend the District review and consider enhancing their current Requisitions and Purchases Policy. The District should consider including some segregation of duties between the individual responsible for ordering items and approving the purchase of those items. By developing stronger controls over the District's purchasing procedures, the risk of potential misappropriation will be reduced.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

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 8, 2003**