

Ripley Union Lewis Huntington Local School District

Brown County

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Mary Taylor, CPA  
Auditor of State

Board of Education  
Ripley Union Lewis Huntington Local School District  
120 Main Street  
Ripley, Ohio 45167

We have reviewed the *Independent Auditor's Report* of the Ripley Union Lewis Huntington Local School District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ripley Union Lewis Huntington Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 21, 2008

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**Ripley Union Lewis Huntington Local School District**  
Table of Contents

TITLE	PAGE
Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 10
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Food Service Fund .....	18
Statement of Fiduciary Assets and Liabilities – Agency Fund .....	19
Notes to the Basic Financial Statements .....	20 - 45
Schedule of Federal Awards Expenditures .....	46
Notes to the Schedule of Federal Awards Expenditures .....	47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i> .....	48 - 49
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	50 - 51
Schedule of Findings and Questioned Costs – OMB Circular A-133 § 505 .....	52 - 53

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
Ripley Union Lewis Huntington Local School District  
120 Main Street  
Ripley, Ohio 45167

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ripley Union Lewis Huntington Local School District (the School District), Brown County, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and food service fund for the 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 February 15, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board  
Ripley Union Lewis Huntington Local School District  
Independent Auditor's Report  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.

February 15, 2008

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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As management of the Ripley Union Lewis Huntington Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of Ripley Union Lewis Huntington Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. Ripley Union Lewis Huntington Local School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" issued June 1999.

### **Financial Highlights**

- The assets of the Ripley Union Lewis Huntington Local School District exceeded its liabilities at June 30, 2007 by \$32,208,311.
- The School District's net assets decreased by \$1,295,575 during this fiscal year's operations.
- General revenues accounted for \$9,871,329 or 78 percent of all revenues. Program specific revenues in the form of charges for services, sales, grants, contributions and interest accounted for \$2,717,184 or 22 percent of total revenues of \$12,588,513.
- The School District had \$13,884,088 in expenses related to governmental activities; only \$2,717,184 of these expenses were offset by program specific charges for services, sales, grants, contributions and interest.

### **Using the Basic Financial Statements**

This report consists of a series of financial statements and the notes to those statements. These statements are organized so the reader can understand Ripley Union Lewis Huntington Local School District as a whole, an entire operating entity.

The *statement of net assets* and *statement of activities* provide information about the activities of the School District as a whole, and present a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Ripley Union Lewis Huntington Local School District are the General, Food Service, Bond Retirement, and Construction Funds.

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

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2007?" The *statement of net assets* and the *statement of activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that help answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

**Fiduciary Funds** - The School District's fiduciary fund is an agency fund. We exclude this activity from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for fiscal years 2007 and 2006:

(Table 1)  
Net Assets  
Governmental Activities

	2007	2006*	Change
<b>Assets</b>			
Current and Other Assets	\$6,571,062	\$5,963,931	\$607,131
Capital Assets	32,910,006	34,706,738	(1,796,732)
Total Assets	<u>39,481,068</u>	<u>40,670,669</u>	<u>(1,189,601)</u>
<b>Liabilities</b>			
Long-Term Liabilities	4,151,183	4,384,668	(233,485)
Other Liabilities	3,121,574	2,782,115	339,459
Total Liabilities	<u>7,272,757</u>	<u>7,166,783</u>	<u>105,974</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	29,407,731	30,888,108	(1,480,377)
Restricted	2,901,704	2,482,648	419,056
Unrestricted (Deficit)	(101,124)	133,130	(234,254)
Total Net Assets	<u>\$32,208,311</u>	<u>\$33,503,886</u>	<u>(\$1,295,575)</u>

\* Certain balances have been reclassified to reflect proper invested in capital assets, net of related debt.

Total net assets decreased by \$1,295,575. This was due to a capital assets decrease of \$1,796,732, due primarily to current year depreciation exceeding current year additions. Restricted net assets increased by \$419,056 due to a \$338,000 settlement that resulted from a lawsuit related to a faulty building roof.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual basis of accounting.

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

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

(Table 2)  
Change in Net Assets  
Governmental Activities

	2007	2006	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$630,141	\$660,456	(\$30,315)
Operating Grants, Contributions and Interest	2,078,043	1,939,474	138,569
Capital Grants and Contributions	9,000	20,392	(11,392)
Total Program Revenues	<u>2,717,184</u>	<u>2,620,322</u>	<u>96,862</u>
General Revenues:			
Property Taxes	2,499,646	2,406,907	92,739
Grants and Entitlements not Restricted to Specific Programs	6,685,546	6,801,600	(116,054)
Gifts and Donations	275	2,418	(2,143)
Investment Earnings	192,210	180,341	11,869
Gain on Sale of Capital Assets	300	0	300
Miscellaneous	493,352	580,551	(87,199)
Total General Revenues	<u>9,871,329</u>	<u>9,971,817</u>	<u>(100,488)</u>
Total Revenues	<u>\$12,588,513</u>	<u>\$12,592,139</u>	<u>(\$3,626)</u>

*(continued)*

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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

	2007	2006	Change
<b>Program Expenses</b>			
Instruction:			
Regular	\$5,509,510	\$4,983,507	\$526,003
Special	1,399,984	1,455,754	(55,770)
Vocational	575,340	577,491	(2,151)
Student Intervention Services	167,705	38,941	128,764
Support Services:			
Pupils	391,602	332,724	58,878
Instructional Staff	868,022	802,757	65,265
Board of Education	121,180	122,543	(1,363)
Administration	973,582	879,041	94,541
Fiscal	346,747	306,436	40,311
Operation and Maintenance of Plant	1,265,879	1,105,982	159,897
Pupil Transportation	765,402	801,397	(35,995)
Central	78,869	59,043	19,826
Operation of Non-Instructional Services:			
Food Services	680,179	642,142	38,037
Other	72,483	29,996	42,487
Extracurricular Activities	335,580	289,025	46,555
Intergovernmental	50,560	39,184	11,376
Interest and Fiscal Charges	281,464	161,953	119,511
Total Expenses	<u>13,884,088</u>	<u>12,627,916</u>	<u>1,256,172</u>
Decrease in Net Assets	(1,295,575)	(35,777)	(1,259,798)
Net Assets at Beginning of Year	<u>33,503,886</u>	<u>33,539,663</u>	<u>(35,777)</u>
Net Assets at End of Year	<u><u>\$32,208,311</u></u>	<u><u>\$33,503,886</u></u>	<u><u>(\$1,295,575)</u></u>

Program revenues increased by \$96,862, due mainly to increases in State funding and interest. General revenues decreased by \$100,488, due to decreases in unrestricted grants and entitlements and miscellaneous revenue. Unrestricted grants and entitlements decreased due to declining enrollment in the School District. Miscellaneous revenue decreased due to a large reimbursement in fiscal year 2006 for local monies spent in previous years on the School District's construction project.

Program expenses increased \$1,256,172. Instruction increased by \$596,846 due primarily to an increase in regular instruction of \$526,003. This was due to employee salary increases and rising health insurance costs.

**Governmental Activities**

The statement of activities shows the cost of program services and the charges for services, sales, grants, contributions and interest offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees, interest and donations.

**Ripley Union Lewis Huntington Local School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2007  
 Unaudited

(Table 3)

Governmental Activities

	Total Cost	Total Cost	Net Cost	Net Cost
	of Services	of Services	of Services	of Services
	2007	2006	2007	2006
Instruction	\$7,652,539	\$7,055,693	\$5,995,574	\$5,432,423
Support Services	4,811,283	4,409,923	4,506,295	4,072,827
Operation of Non-				
Instructional Services	752,662	672,138	105,910	91,900
Extracurricular Activities	335,580	289,025	275,014	253,714
Intergovernmental	50,560	39,184	2,647	(5,223)
Interest and Fiscal Charges	281,464	161,953	281,464	161,953
Total Expenses	<u>\$13,884,088</u>	<u>\$12,627,916</u>	<u>\$11,166,904</u>	<u>\$10,007,594</u>

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,523,949 and expenditures of \$12,274,151. The net change in fund balance for the fiscal year was most significant in the Construction Fund, with an increase of \$366,984. The increase was due to a \$338,000 settlement in relation to a faulty building roof. The net change in fund balance for the fiscal year in the General Fund and Bond Retirement Fund was a decrease of \$267,730 and an increase of \$83,061, respectively.

The School District is aware that a General Fund deficit is projected for future fiscal years. The Board of Education is currently working with the Department of Education to create a plan that will alleviate the situation.

**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2007, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$38 above the final budgeted amount in the General Fund.

For the General Fund, original budgeted revenues were \$9,413,238 and final budgeted revenues were \$9,577,659. This represents an increase in estimated revenue of \$164,421, which was primarily due to an increase in property taxes. The difference between actual budget basis revenues and final budgeted revenues was \$38.

Original budgeted expenditures in the General Fund were \$9,147,701 and final budgeted expenditures were \$9,914,174. This represents an increase in estimated expenditures of \$766,473, which was due to a \$319,700 increase in regular instruction and small increases in all other expenditure line items. The increase in budgeted expenditures for regular instruction was due to increases in salaries and health insurance costs. The difference between actual budget basis expenditures and final budgeted expenditures was \$0, due to the final appropriation resolution being approved as of the last day of the fiscal year.

**Ripley Union Lewis Huntington Local School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2007  
 Unaudited

**Capital Assets and Debt**

**Capital Assets**

The Ripley Union Lewis Huntington Local School District's investment in capital assets as of June 30, 2007 was \$32,910,006. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

(Table 4)  
 Capital Assets at June 30  
 (Net of Depreciation)  
 Governmental Activities

	2007	2006
Land	\$289,313	\$289,313
Buildings and Improvements	31,556,807	33,323,693
Furniture and Equipment	864,695	917,589
Vehicles	199,191	176,143
<b>Totals</b>	<b>\$32,910,006</b>	<b>\$34,706,738</b>

Net capital assets decreased \$1,796,732 from the prior fiscal year. This is due mainly to depreciation expense during the fiscal year.

For more information on capital assets, refer to Note 7 to the basic financial statements.

**Debt**

At June 30, 2007 the School District had \$3,003,660 in bonds outstanding. \$296,095 of the bonds outstanding represents the amounts due within one year. Table 5 summarizes bonds and notes outstanding:

(Table 5)  
 Outstanding Debt, at Fiscal Year-end  
 Governmental Activities

	2007	2006
General Obligation Bonds:		
1998 School Improvement Refunding Bonds 3.95%-5.05%	\$892,091	\$1,034,992
1998 School Improvement Bonds 4.75%-5.05%	750,000	840,000
2003 Classroom Facilities Bonds 2.0%-9.914%	1,317,000	1,377,000
Accretion on Capital Appreciation Bonds	44,569	33,470
<b>Totals</b>	<b>\$3,003,660</b>	<b>\$3,285,462</b>

The School District's overall legal debt margin was \$5,520,905, and the unvoted debt margin was \$96,632 at June 30, 2007.

For more information on debt, refer to note 13 to the basic financial statements.

**Ripley Union Lewis Huntington Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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**Current Financial Issues and Concerns**

Ripley Union Lewis Huntington Local School District opened the new middle school and the new elementary school in January 2005. The remodeling of the high school was complete in the summer of 2005. The School District has state of the art buildings and equipment for its preschool through 12<sup>th</sup> grade programs. The challenge that the School District faces is creating an operational budget for the new facilities at a point when the enrollment is declining and the State revenue increases are low or non-existent. We have 113,455 additional square feet to heat and cool. The School District increased its services budget an additional \$241,251 in fiscal year 2007 to cover utilities, building services and repairs and County contracts.

The School District is dependent on outside factors for future success. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system of school funding, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is widely accepted that schools with low property values are unable to provide students equitable education as compared with students who attend districts with large numbers of taxpayers and high property values.

Ohio is over-dependent on property values to fund school districts. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio. Efforts to alleviate this problem should benefit Ripley Union Lewis Huntington Local School District because our property valuation is very low. While a significant increase from the State would be welcome, our forecasts do not take this possibility into account. We do not anticipate increases in State revenue each fiscal year, as we are currently receiving formula aid based on the Ohio Department of Education's Formula Aid Guarantee program, which sets a minimum level of funding based on School District average daily membership, and we are continuing to experience declining enrollment.

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

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Vivian Armour, Treasurer, at Ripley Union Lewis Huntington Local School District, 120 Main Street, Ripley, Ohio 45167.

**Ripley Union Lewis Huntington Local School District**

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,480,560
Cash and Cash Equivalents with Escrow Agent	13,343
Materials and Supplies Inventory	56,221
Accrued Interest Receivable	3,173
Accounts Receivable	15,218
Intergovernmental Receivable	195,235
Prepaid Items	17,369
Property Taxes Receivable	2,442,127
Judgments Receivable	338,000
Deferred Charges	9,816
Capital Assets:	
Land	289,313
Depreciable Capital Assets, Net	<u>32,620,693</u>
<i>Total Assets</i>	<u>39,481,068</u>
<b>Liabilities</b>	
Accounts Payable	46,928
Accrued Wages and Benefits Payable	864,946
Intergovernmental Payable	268,839
Accrued Interest Payable	70,271
Vacation Benefits Payable	77,264
Retainage Payable	13,343
Deferred Revenue	1,764,983
Retirement Incentive Payable	15,000
Long-Term Liabilities:	
Due Within One Year	336,517
Due in More Than One Year	<u>3,814,666</u>
<i>Total Liabilities</i>	<u>7,272,757</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	29,407,731
Restricted for:	
Debt Service	951,672
Capital Projects	1,590,556
Other Purposes	359,476
Unrestricted (Deficit)	<u>(101,124)</u>
<i>Total Net Assets</i>	<u><u>\$32,208,311</u></u>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**

Statement of Activities

For the Fiscal Year Ended June 30, 2007

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>					Governmental Activities
Instruction:					
Regular	\$5,509,510	\$348,247	\$225,005	\$0	(\$4,936,258)
Special	1,399,984	0	884,850	0	(515,134)
Vocational	575,340	0	67,937	0	(507,403)
Student Intervention Services	167,705	0	130,926	0	(36,779)
Support Services:					
Pupils	391,602	0	8,067	0	(383,535)
Instructional Staff	868,022	0	123,639	0	(744,383)
Board of Education	121,180	0	0	0	(121,180)
Administration	973,582	0	96,765	0	(876,817)
Fiscal	346,747	0	0	0	(346,747)
Operation and Maintenance of Plant	1,265,879	21,548	0	0	(1,244,331)
Pupil Transportation	765,402	0	40,969	0	(724,433)
Central	78,869	0	5,000	9,000	(64,869)
Operation of Non-Instructional Services:					
Food Services	680,179	199,780	387,396	0	(93,003)
Other	72,483	0	59,576	0	(12,907)
Extracurricular Activities	335,580	60,566	0	0	(275,014)
Intergovernmental	50,560	0	47,913	0	(2,647)
Interest and Fiscal Charges	281,464	0	0	0	(281,464)
<b>Total Governmental Activities</b>	<b>\$13,884,088</b>	<b>\$630,141</b>	<b>\$2,078,043</b>	<b>\$9,000</b>	<b>(11,166,904)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					1,929,799
Capital Outlay					38,316
Debt Service					531,531
Grants and Entitlements not Restricted to Specific Programs					6,685,546
Gifts and Donations					275
Investment Earnings					192,210
Gain on Sale of Capital Assets					300
Miscellaneous					493,352
<b>Total General Revenues</b>					<b>9,871,329</b>
<b>Change in Net Assets</b>					<b>(1,295,575)</b>
<b>Net Assets at Beginning of Year</b>					<b>33,503,886</b>
<b>Net Assets at End of Year</b>					<b>\$32,208,311</b>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2007

	General Fund	Food Service Fund	Bond Retirement Fund	Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$877,493	\$44,604	\$872,664	\$1,252,556	\$433,243	\$3,480,560
Materials and Supplies Inventory	29,899	14,577	0	0	11,745	56,221
Accrued Interest Receivable	3,173	0	0	0	0	3,173
Accounts Receivable	11,047	0	0	0	4,171	15,218
Interfund Receivable	79,552	0	0	0	0	79,552
Intergovernmental Receivable	17,693	40,351	2,137	0	135,054	195,235
Prepaid Items	16,461	908	0	0	0	17,369
Property Taxes Receivable	1,886,741	0	517,242	0	38,144	2,442,127
Judgments Receivable	0	0	0	338,000	0	338,000
Restricted Assets:						
Cash and Cash Equivalents with Escrow Agent	0	0	0	13,343	0	13,343
<b>Total Assets</b>	<b>\$2,922,059</b>	<b>\$100,440</b>	<b>\$1,392,043</b>	<b>\$1,603,899</b>	<b>\$622,357</b>	<b>\$6,640,798</b>
<b>Liabilities</b>						
Accounts Payable	\$29,633	\$0	\$0	\$0	\$17,295	\$46,928
Accrued Wages and Benefits Payable	733,591	21,584	0	0	109,771	864,946
Interfund Payable	0	0	0	0	79,552	79,552
Intergovernmental Payable	235,516	12,556	0	0	20,767	268,839
Vacation Benefits Payable	77,264	0	0	0	0	77,264
Payable from Restricted Assets:						
Retainage Payable	0	0	0	13,343	0	13,343
Deferred Revenue	1,528,780	0	412,058	0	56,948	1,997,786
Retirement Incentive Payable	15,000	0	0	0	0	15,000
<b>Total Liabilities</b>	<b>2,619,784</b>	<b>34,140</b>	<b>412,058</b>	<b>13,343</b>	<b>284,333</b>	<b>3,363,658</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	68,524	0	0	38,966	51,645	159,135
Reserved for Property Taxes	361,147	0	104,278	0	7,218	472,643
Unreserved:						
Undesignated, Reported in:						
General Fund	(127,396)	0	0	0	0	(127,396)
Special Revenue Funds	0	66,300	0	0	279,161	345,461
Debt Service Fund	0	0	875,707	0	0	875,707
Capital Projects Funds	0	0	0	1,551,590	0	1,551,590
<b>Total Fund Balances</b>	<b>302,275</b>	<b>66,300</b>	<b>979,985</b>	<b>1,590,556</b>	<b>338,024</b>	<b>3,277,140</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,922,059</b>	<b>\$100,440</b>	<b>\$1,392,043</b>	<b>\$1,603,899</b>	<b>\$622,357</b>	<b>\$6,640,798</b>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2007

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**Total Governmental Fund Balances** \$3,277,140

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources  
 and therefore are not reported in the funds. These assets consist of:

Land	289,313	
Other capital assets	42,524,588	
Accumulated depreciation	<u>(9,903,895)</u>	
Total captital assets		32,910,006

Some of the School District's revenues will be collected after fiscal  
 year-end, but are not available soon enough to pay for the current  
 period's expenditures and therefore are deferred in the funds.

Deferred revenues changed by these amounts:

Delinquent property taxes	186,069	
Intergovernmental	36,433	
Interest	235	
Tuition and fees	<u>10,066</u>	
		232,803

Bond issuance costs reported as an expenditure in governmental funds  
 are allocated as an expense over the life of the debt on a full accrual  
 basis.

9,816

Some liabilities are not due and payable in the current period and  
 therefore are not reported in the funds. Those liabilities consist of:

Bonds Payable	(2,959,091)	
Accretion on bonds	(44,569)	
Accrued interest on bonds	(70,271)	
Capital leases	(553,000)	
Compensated absences	<u>(594,523)</u>	
		<u>(4,221,454)</u>

**Net Assets of Governmental Activities** \$32,208,311

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007

	General Fund	Food Service Fund	Bond Retirement Fund	Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$1,910,774	\$0	\$526,462	\$0	\$37,925	\$2,475,161
Intergovernmental	7,134,992	383,802	59,900	0	1,153,613	8,732,307
Interest	128,948	3,594	0	63,262	255	196,059
Tuition and Fees	332,352	0	0	0	12,549	344,901
Rent	21,548	0	0	0	0	21,548
Extracurricular Activities	0	0	0	0	60,566	60,566
Gifts and Donations	275	0	0	0	0	275
Customer Sales and Services	0	199,780	0	0	0	199,780
Miscellaneous	51,966	0	0	338,000	103,386	493,352
<i>Total Revenues</i>	<u>9,580,855</u>	<u>587,176</u>	<u>586,362</u>	<u>401,262</u>	<u>1,368,294</u>	<u>12,523,949</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	4,159,235	0	0	0	274,306	4,433,541
Special	784,680	0	0	0	387,278	1,171,958
Vocational	488,711	0	0	0	16,839	505,550
Student Intervention Services	35,320	0	0	0	124,232	159,552
Support Services:						
Pupils	316,621	0	0	0	26,392	343,013
Instructional Staff	732,578	0	0	0	120,235	852,813
Board of Education	121,180	0	0	0	0	121,180
Administration	712,342	23,338	0	0	99,719	835,399
Fiscal	283,898	0	14,503	0	1,071	299,472
Operation and Maintenance of Plant	1,229,325	0	0	34,278	12,220	1,275,823
Pupil Transportation	770,519	0	0	0	16,628	787,147
Central	64,869	0	0	0	14,000	78,869
Operation of Non-Instructional Services:						
Food Services	0	567,525	0	0	0	567,525
Other	311	0	0	0	73,856	74,167
Extracurricular Activities	97,518	0	0	0	79,488	177,006
Debt Service:						
Principal Retirement	24,000	0	292,901	0	0	316,901
Interest and Fiscal Charges	27,778	0	195,897	0	0	223,675
Intergovernmental	0	0	0	0	50,560	50,560
<i>Total Expenditures</i>	<u>9,848,885</u>	<u>590,863</u>	<u>503,301</u>	<u>34,278</u>	<u>1,296,824</u>	<u>12,274,151</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(268,030)	(3,687)	83,061	366,984	71,470	249,798
<b>Other Financing Sources</b>						
Proceeds from Sale of Capital Assets	300	0	0	0	0	300
<i>Net Change in Fund Balances</i>	(267,730)	(3,687)	83,061	366,984	71,470	250,098
<i>Fund Balances at Beginning of Year</i>	<u>570,005</u>	<u>69,987</u>	<u>896,924</u>	<u>1,223,572</u>	<u>266,554</u>	<u>3,027,042</u>
<i>Fund Balances at End of Year</i>	<u>\$302,275</u>	<u>\$66,300</u>	<u>\$979,985</u>	<u>\$1,590,556</u>	<u>\$338,024</u>	<u>\$3,277,140</u>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$250,098

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	129,404	
Depreciation expense	(1,470,409)	
Excess of capital outlay under depreciation expense		(1,341,005)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital assets account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

Gain on Sale of Capital Assets	300	
Loss on Disposal of Capital Assets	(456,027)	
		(455,727)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed this fiscal year by:

Delinquent Property Taxes	24,485	
Intergovernmental	30,138	
Tuition and Fees	9,641	
		64,264

Governmental funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Current year amortization of issuance costs	(546)	
Accretion on bonds	(11,099)	
		(11,645)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, this amount consisted of:

Bond Payments	292,901	
Capital lease payments	24,000	
Total long-term debt repayment		316,901

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the statement of activities is the result of the following:

Increase in accrued interest payable		(46,144)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable		(72,317)
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**Change in Net Assets of Governmental Activities** (\$1,295,575)

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$1,752,480	\$1,908,800	\$1,908,800	\$0
Intergovernmental	7,118,554	7,126,082	7,126,082	0
Interest	129,004	129,140	129,178	38
Tuition and Fees	340,052	340,412	340,412	0
Rent	21,525	21,548	21,548	0
Gifts and Donations	275	275	275	0
Miscellaneous	51,348	51,402	51,402	0
<i>Total Revenues</i>	<u>9,413,238</u>	<u>9,577,659</u>	<u>9,577,697</u>	<u>38</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,815,552	4,135,252	4,135,252	0
Special	725,652	786,453	786,453	0
Vocational	445,591	482,926	482,926	0
Other	64,597	70,010	70,010	0
Support Services:				
Pupils	286,586	310,599	310,599	0
Instructional Staff	663,868	719,493	719,493	0
Board of Education	118,427	128,350	128,350	0
Administration	643,408	697,318	697,318	0
Fiscal	262,161	284,127	284,127	0
Operation and Maintenance of Plant	1,173,030	1,271,316	1,271,316	0
Pupil Transportation	750,164	813,019	813,019	0
Central	59,854	64,869	64,869	0
Operation of Non-Instructional Services:				
Food Services	11	12	12	0
Other	211	229	229	0
Extracurricular Activities	90,814	98,423	98,423	0
Debt Service:				
Principal Retirement	22,145	24,000	24,000	0
Interest and fiscal charges	25,630	27,778	27,778	0
<i>Total Expenditures</i>	<u>9,147,701</u>	<u>9,914,174</u>	<u>9,914,174</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>265,537</u>	<u>(336,515)</u>	<u>(336,477)</u>	<u>38</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	156,756	156,756	156,756	0
Proceeds from Sale of Capital Assets	300	300	300	0
Refund of Prior Year Receipts	6,842	6,842	6,842	0
Advances Out	(159,724)	(159,724)	(159,724)	0
<i>Total Other Financing Sources</i>	<u>4,174</u>	<u>4,174</u>	<u>4,174</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	269,711	(332,341)	(332,303)	38
<i>Fund Balance at Beginning of Year</i>	974,946	974,946	974,946	0
<i>Prior Year Encumbrances Appropriated</i>	<u>136,631</u>	<u>136,631</u>	<u>136,631</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,381,288</u></u>	<u><u>\$779,236</u></u>	<u><u>\$779,274</u></u>	<u><u>\$38</u></u>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Food Service Fund  
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$283,688	\$303,754	\$303,754	\$0
Interest	3,357	3,594	3,594	0
Customer Sales and Services	185,036	198,124	198,124	0
<i>Total Revenues</i>	<u>472,081</u>	<u>505,472</u>	<u>505,472</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Support Services:				
Administration	23,208	23,338	23,338	0
Operation of Non-Instructional Services:				
Food Services	492,108	494,871	494,871	0
<i>Total Expenditures</i>	<u>515,316</u>	<u>518,209</u>	<u>518,209</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(43,235)	(12,737)	(12,737)	0
<i>Fund Balance at Beginning of Year</i>	52,307	52,307	52,307	0
<i>Prior Year Encumbrances Appropriated</i>	<u>5,034</u>	<u>5,034</u>	<u>5,034</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$14,106</u>	<u>\$44,604</u>	<u>\$44,604</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**Ripley Union Lewis Huntington Local School District**

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2007

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	<u>Student Managed Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$46,366</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$46,366</u>

See accompanying notes to the basic financial statements

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

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

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

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

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

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

As a requirement of the grant, the voters in the School District passed a 1.45 mill levy on November 6, 2001 to fund the 7 percent local construction match and continued maintenance (.5 mill). On August 29, 2002 the School District issued \$1,557,000 in School Improvement Bonds which will be in effect for twenty three years.

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

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 continue to promote development and a dynamic future for schools.

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

The School District serves an area of 99 square miles. It is located in Brown County, including all of the Villages of Ripley, Aberdeen and Higginsport, and portions of surrounding townships. The Board of Education controls the School District's three instructional support facilities staffed by 49 non-certificated and 91 teaching personnel and 12 administrative employees providing education to 1,283 students.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

*Reporting Entity:*

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

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

The following activities are included within the reporting entity:

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Unified Purchasing Cooperative of the Ohio River Valley (UPC), the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.

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

The financial statements of the 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 governmental 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**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

**A. Basis Of Presentation** (continued)

*Government-wide Financial Statements:*

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements:*

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. The funds of the School District fall within two categories: governmental and fiduciary.

*Governmental Funds:*

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

**B. Fund Accounting** *(continued)*

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

*General Fund* – The General Fund is the operating fund of the School District and is used to account for all financial resources, 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.

*Food Service Fund* – The Food Service Fund is a special revenue fund used to account for all revenue and expenditures associated with the school breakfast and school lunch programs.

*Bond Retirement Fund* – The Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

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

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for those student activities which consist of a student body, student president, student treasurer and a faculty advisor.

**C. Measurement Focus**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Fund Financial Statements:*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Nonexchange Transactions:*

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. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources will be collectible 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 fiscal year-end.

Nonexchange 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 fiscal 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 nonexchange 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, customer sales, student fees, grants and accrued interest.

*Deferred Revenue:*

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, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures:*

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

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 governmental funds.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District also utilizes an escrow agent to hold retainage on construction contracts. These monies are presented as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent" on the balance sheet.

During fiscal year 2007, the School District's investments were limited to certificates of deposit, and funds invested in the State Treasury Asset Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Certificates of deposit are recorded at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$128,948, which includes \$69,674 assigned from other School District funds.

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

**H. Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the fiscal year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; 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.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5 - 75 years
Furniture and Equipment	4 - 20 years
Vehicles	3 - 25 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

**J. 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. The liability for vacation benefits is recorded as "Vacation Benefits Payable", rather than long-term liabilities, as the balances are to be used in the fiscal year following the fiscal year in which the benefit is earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the School District.

**K. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and a liability on the governmental fund financial statements when due.

**L. Internal Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within the governmental activities have been eliminated on the government-wide statement of activities. The School District had no such transactions for fiscal year 2007.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

**M. Issuance Costs/Compounded Interest on Capital Appreciation Bonds**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Issuance costs are deferred and amortized over the term of the capital lease using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Compounded interest on the capital appreciation bonds is presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, issuance costs are recorded when expended and compounded interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**N. Fund Balance Reserves**

The School District reserves those portions of fund balance 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 balance 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.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to expenditure for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$2,901,704 of restricted net assets, none of which are restricted by enabling legislation.

**P. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions or enabling legislation.

The School District utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent".

**Q. 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.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

**R. Budgetary Process**

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

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

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual for the General Fund and the Food Service Special Revenue Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Food Service Special Revenue Fund.

	Net Change in Fund Balances	
	General	Food Service
	<u>Fund</u>	<u>Fund</u>
GAAP Basis	<u>(\$267,730)</u>	<u>(\$3,687)</u>
Adjustments:		
Revenue Accruals	3,684	(81,704)
Expenditure Accruals	32,930	72,654
Encumbrances	(98,219)	0
Advances	<u>(2,968)</u>	<u>0</u>
Budget Basis	<u><u>(\$332,303)</u></u>	<u><u>(\$12,737)</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the School District's bank balance of \$1,277,825, \$344,259 was covered by federal depository insurance. The remaining balance of \$933,566 was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department, but not in the School District's name. Although all 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.

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

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

Investments

As of June 30, 2007, the School District had the following investment:

	Fair Value	Maturity
STAROhio	\$2,473,971	Average 38.56 Days

Interest Rate Risk

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

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**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 (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2007 tangible personal property tax was not received until August 2007.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 5 - PROPERTY TAXES** (continued)

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$361,147 in the General Fund, \$104,278 in the Bond Retirement Debt Service Fund, and \$7,218 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2006, was \$355,973 in the General Fund, \$102,539 in the Bond Retirement Debt Service Fund, and \$7,784 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$82,108,220	90.89%	\$89,482,100	92.60%
Public Utility Personal	5,577,370	6.18%	5,517,440	5.71%
General Business Personal	2,651,232	2.93%	1,632,180	1.69%
Total Assessed Value	<u>\$90,336,822</u>	<u>100.00%</u>	<u>\$96,631,720</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.55		\$35.55	

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2007, consisted of accrued interest, accounts, interfund, intergovernmental grants, property taxes, and judgments. All receivables, except for delinquent property taxes, are considered collectible in full and will be received in one year 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. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A listing of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
AT&T E-rate	\$2,979
ROTC Reimbursements	4,080
Action Research Technology Grant	10,000
Federal Lunchroom Reimbursement	40,351
Title VI Idea Part-B Grant	57,521
Title I Targeted Assistance Grant	3,876
Title IV-A Safe, Drug Free Schools	2,477
Title II-A Class Size Reduction Grant	24,657
Learn and Serve Grant	1,779
Fresh Fruit and Vegetable Grant	6,127
T.A.N.F. School Readiness Grant	28,437
\$10,000 Personal Property Tax Exemption	12,951
Total Intergovernmental Receivables	<u><u>\$195,235</u></u>

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/07</u>
Governmental Activities				
Capital Assets, Not being Depreciated				
Land	\$289,313	\$0	\$0	\$289,313
Capital Assets, Being Depreciated				
Buildings and Improvements	39,903,755	0	(450,624)	39,453,131
Furniture and Equipment	1,800,180	55,567	(13,263)	1,842,484
Vehicles	1,188,676	73,837	(33,540)	1,228,973
Total Capital Assets, Being Depreciated	<u>42,892,611</u>	<u>129,404</u>	<u>(497,427)</u>	<u>42,524,588</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,580,062)	(1,316,262)	0	(7,896,324)
Furniture and Equipment	(882,591)	(103,825)	8,627	(977,789)
Vehicles	(1,012,533)	(50,322)	33,073	(1,029,782)
Total Accumulated Depreciation	<u>(8,475,186)</u>	<u>(1,470,409) *</u>	<u>41,700</u>	<u>(9,903,895)</u>
Total Capital Assets, Being Depreciated, Net	<u>34,417,425</u>	<u>(1,341,005)</u>	<u>(455,727)</u>	<u>32,620,693</u>
Governmental Activities Capital Assets, Net	<u><u>\$34,706,738</u></u>	<u><u>(\$1,341,005)</u></u>	<u><u>(\$455,727)</u></u>	<u><u>\$32,910,006</u></u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 7 - CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$789,858
Special	169,141
Vocational	52,563
Support Services:	
Pupils	34,981
Instructional Staff	9,643
Administration	90,627
Fiscal	33,739
Operation and Maintenance of Plant	16,486
Pupil Transportation	48,949
Operation of Non-Instructional Services:	
Food Services	90,231
Extracurricular Activities	134,191
	<hr/>
Total Depreciation Expense	<u>\$1,470,409</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. In fiscal year 2007, 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 \$2,000,000 aggregate limit under a commercial umbrella policy.

The School District's vehicles are covered by the Indiana Insurance Company and hold a \$250 deductible for comprehensive coverage and a \$500 deductible for collision coverage. 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 fiscal years. There has been no significant reduction in coverage from the prior fiscal year.

**B. Workers' Compensation**

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (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. 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.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 8 - RISK MANAGEMENT** (continued)

**C. Employee Medical Benefits**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 17) consisting of six school districts. Medical coverage is purchased through Medical Mutual and the dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health care coverage and dental benefits. The Consortium is responsible for the management and operation of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions relating to the medical insurance and all dental claims related to its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

The School District contributes to the School Employees Retirement System (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 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, Suite 100, Columbus, Ohio 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District 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 2007, 10.68 percent of annual covered salary was the portion 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, 2007, 2006 and 2005 were \$171,289, \$154,681 and \$173,017 respectively; 51.34 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$632,769, \$618,096, and \$629,282 respectively; 83.10 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$7,928 made by the School District and \$15,173 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated 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 funded on a pay-as-you-go basis.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$48,675 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$76,676.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**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. This vacation time is to be used within the following fiscal year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for teachers and administrators, and 215 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 55 days for teachers and administrators, and a maximum of 50 days for classified employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 11 - EMPLOYEE BENEFITS** (continued)

**C. Deferred Compensation**

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

**D. Retirement Incentive**

The School District offers a retirement incentive for certified employees who retire in the fiscal year they are first eligible. Eligible employees receive a \$15,000 lump sum payment. The Board may make the payment at the beginning of the next fiscal year. During fiscal year 2007, one eligible employee gave formal notice of retirement as of February 1, 2008. A liability of \$15,000 was recorded as "Retirement Incentive Payable" in the General Fund.

**NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

In fiscal year 2007, the School District made the fourth scheduled payment of \$24,000. The outstanding principal amount on the lease at June 30, 2007 is \$553,000.

The assets acquired through capital lease are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset: School Buildings	<u>\$642,000</u>	<u>\$32,100</u>	<u>\$609,900</u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE** *(continued)*

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007.

Fiscal Year Ending June 30,	Total Payments
2008	\$51,919
2009	51,947
2010	51,919
2011	51,795
2012	51,593
2013-2017	256,248
2018-2022	251,566
2023	49,476
Total	<u>816,463</u>
Less: Amount Representing Interest	<u>(263,463)</u>
Present Value of Minimum Lease Payments	<u><u>\$553,000</u></u>

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
School Improvement Refunding Bonds					
2/12/1998 3.95% - 5.05%	\$1,034,992	\$0	\$142,901	\$892,091	\$136,095
School Improvement Bonds					
7/1/1998 4.75% - 5.05%	840,000	0	90,000	750,000	95,000
Classroom Facilities 9/1/2002:					
Serial Bonds 2.0% to 3.9%	555,000	0	60,000	495,000	65,000
Term Bonds 4.6% to 4.9%	755,000	0	0	755,000	0
Capital Appreciation Bonds 9.914%	67,000	0	0	67,000	0
Accretion on Capital Appreciation Bonds	33,470	11,099	0	44,569	0
Total General Obligation Bonds	<u>3,285,462</u>	<u>11,099</u>	<u>292,901</u>	<u>3,003,660</u>	<u>296,095</u>
Capital Lease Payable	577,000	0	24,000	553,000	25,000
Compensated Absences	522,206	72,317	0	594,523	15,422
Total Governmental Activities					
Long-Term Obligations	<u><u>\$4,384,668</u></u>	<u><u>\$83,416</u></u>	<u><u>\$316,901</u></u>	<u><u>\$4,151,183</u></u>	<u><u>\$336,517</u></u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 13 - LONG-TERM OBLIGATIONS** *(continued)*

***School Improvement Refunding Bonds***

In January, 1991, the School District issued \$3,188,000 in School Improvement Bonds for the construction of a new high school building and the renovation of the existing high school building to be used as the elementary school. The bonds were issued for a twenty-three year period with final maturity in December 2014.

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. The bonds were issued for a seventeen year period with final maturity on December 1, 2014. The bonds will be paid from the Bond Retirement Fund. All of the original defeased 1991 bonds were retired as of December 1, 2001.

***School Improvement Bonds***

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

***2002 Classroom Facilities Bonds***

On September 1, 2002, the School District issued \$1,557,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. The bonds were issued for a twenty-three year period with final maturity in December 2025. The bonds will be retired from the Bond Retirement Fund.

The term bonds, issued at \$755,000, maturing on December 1, 2020 and December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the fiscal years and in the respective principal amounts as follows:

Fiscal Year Ending June 30,	Amount
2018	\$80,000
2019	85,000
2020	90,000
2021	90,000
2022	95,000
2023	100,000
2024	105,000
2025	110,000
Total	<u><u>\$755,000</u></u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**NOTE 13 - LONG-TERM OBLIGATIONS** *(continued)*

The serial bonds, issued at \$735,000 with maturity dates of December 1, 2003 to December 1, 2013, are subject to optional redemption in whole or in part on any date at the option of the issuer on or after December 1, 2012.

The capital appreciation bonds, issued at \$67,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2014 through 2016. The maturity amounts of the capital appreciation bonds are \$80,000 in fiscal years 2014 through 2016. For fiscal year 2007, the capital appreciation bonds were accreted \$11,099.

The School District's overall legal debt margin was \$5,520,905 with an unvoted debt margin of \$96,632 at June 30, 2007.

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

Compensated absences will be paid from the General, Food Service, DPIA, Title VI-B, Title I, and Title II Funds. The capital lease obligation will be paid from the General Fund.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007, are as follows:

School Improvement Refunding and School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$231,095	\$144,257	\$375,352
2009	229,487	145,990	375,477
2010	219,870	145,607	365,477
2011	215,420	150,033	365,453
2012	218,650	151,500	370,150
2013-2015	527,569	444,931	972,500
Total	<u>\$1,642,091</u>	<u>\$1,182,318</u>	<u>\$2,824,409</u>

Classroom Facilities Bonds

Fiscal year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2008	\$65,000	\$16,232	\$0	\$35,675	\$0	\$0	\$116,907
2009	65,000	14,346	0	35,675	0	0	115,021
2010	70,000	12,200	0	35,675	0	0	117,875
2011	70,000	9,803	0	35,675	0	0	115,478
2012	70,000	7,265	0	35,675	0	0	112,940
2013-2017	155,000	6,105	0	178,375	67,000	173,000	579,480
2018-2022	0	0	440,000	129,155	0	0	569,155
2023-2026	0	0	315,000	23,643	0	0	338,643
Total	<u>\$495,000</u>	<u>\$65,951</u>	<u>\$755,000</u>	<u>\$509,548</u>	<u>\$67,000</u>	<u>\$173,000</u>	<u>\$2,065,499</u>

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**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). The BMRDD paid the cost of constructing an early childhood center on School District Property. The portion of the building being used by BMRDD consists of the Adams/Brown Head Start units. The valuation at the time of its completion was \$794,027 and this amount has been included in the assets of the School District. In consideration for the BMRDD's funding of the project, the School District receives \$1.00 per year as an annual lease payment for use of the land that was provided for construction. If the School District terminates the lease, it will be required to reimburse BMRDD for a prorated amount of the original \$794,027 in funding provided by BMRDD, over the remainder of the unused lease term, as agreed upon by the leasing parties. The School District also agrees to insure the building against loss by fire or other casualty.

**NOTE 15 - INTERFUND ACTIVITY**

**Interfund Receivables/Payables**

As of June 30, 2007, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable
	General
	<hr/>
Payable	
All Other Governmental Funds	<hr/>
	\$79,552

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the other governmental funds.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

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 Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA 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 \$105,220 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS** *(continued)*

**B. Hopewell Special Education Regional Resource Center**

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. Eighteen 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 advisory board. The advisory board is made up of superintendents from the eighteen school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, 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 Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and federal and State grants. The School District paid \$132,382 to Hopewell during the fiscal year. To obtain financial information, write to Hopewell at the Southern Ohio Educational Service Center, 3321 Airborne Drive, Wilmington, Ohio, 45177.

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

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

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

During fiscal year 2007, the School District paid \$450 to the UPC. Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 17 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County Schools Benefits Consortium**

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational, and Western Brown Schools) along with the Brown County Educational Service Center and Lynchburg-Clay Local School District in Highland County have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a seven member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Medical Mutual of Ohio to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the Educational Service Center's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, CoreSource. Participating member district's pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 18 - INSURANCE PURCHASING POOL**

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 19 - 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

**Ripley Union Lewis Huntington Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 19 - SET-ASIDE CALCULATIONS** *(continued)*

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2006	(\$121,477)	\$0
Current Fiscal Year Set-Aside Requirement	195,073	195,073
Current Fiscal Year Offsets	0	(85,712)
Qualifying Disbursements	(185,561)	(354,343)
Totals	<u>(\$111,965)</u>	<u>(\$244,982)</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</u>	<u>\$0</u>
Set-aside Balances Carried Forward to FY 2008	<u>(\$111,965)</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks 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 fiscal 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 fiscal years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2007.

**B. Litigation**

At June 30, 2007, the School District was party to legal proceedings.

In October 2004, the Ohio School Facilities Commission and the School District filed suit in the Common Pleas Court of Brown County, Ohio against numerous contractors demanding repayment for the faulty High School Building roof. A settlement was reached in one of the lawsuits on December 29, 2006, however the School District had not received payment as of June 30, 2007. Additional lawsuits are still pending.

**NOTE 21 - SUBSEQUENT EVENT**

On July 12, 2007, the School District received the settlement in the above mentioned lawsuit. The School District received a total of \$338,000 from Motorists Mutual for Wahoff Roofing, CAN Insurance for Tanner Stone, and Berridge Manufacturing.

**Ripley Union Lewis Huntington Local School District**  
Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05-PU	10.553	\$73,796	\$0	\$73,796	\$0
National School Lunch Program	LL-P4	10.555	214,246	0	214,246	0
Total Nutrition Cluster			288,042	0	288,042	0
Food Donation	NA	10.550	0	78,630	0	78,630
Child and Adult Care Food Program	NA	10.558	2,228	0	2,228	0
Fresh Fruit and Vegetable Program	NA	10.582	25,935	0	32,062	0
Total United States Department of Agriculture			316,205	78,630	322,332	78,630
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1	84.010	310,662	0	302,038	0
Special Education - Grants to States	6B-SF	84.027	321,597	0	335,110	0
Safe and Drug-Free Schools and Communities - State Grants	DR-S1	84.186	4,197	0	5,530	0
State Grants for Innovative Programs	C2-S1	84.298	1,983	0	1,983	0
Education Technology State Grants	TJ-S1	84.318	3,142	0	3,142	0
Improving Teacher Quality State Grants	TR-S1	84.367	101,094	0	94,890	0
Total United States Department of Education			742,675	0	742,693	0
<b>United States Department of Health and Human Services</b>						
<i>Passed through Job and Family Services</i>						
Temporary Assistance for Needy Families	NA	93.558	36,255	0	38,154	0
Total United States Department of Health and Human Services			36,255	0	38,154	0
<b>Corporation for National and Community Service</b>						
<i>Passed through the Ohio Department of Education</i>						
Learn and Serve America - School and Community Based Programs	SV-S1	94.004	28,221	0	30,000	0
Learn and Serve America - School and Community Based Programs	SV-HS	94.004A	14,759	0	12,194	0
Total Corporation for National and Community Service			42,980	0	42,194	0
<b>Total Federal Financial Assistance</b>			<b>\$1,138,115</b>	<b>\$78,630</b>	<b>\$1,145,373</b>	<b>\$78,630</b>

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

***Ripley Union Lewis Huntington Local School District***  
Notes to the Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2007

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B –FOOD DONATION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

# BALESTRA, HARR & SCHERER CPAs, INC.

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board  
Ripley Union Lewis Huntington Local School District  
120 Main Street  
Ripley, Ohio 45167

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ripley Union Lewis Huntington Local School District (the School District), Brown County, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 15, 2008. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of the Board  
Ripley Union Lewis Huntington Local School District  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*  
Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.  
February 15, 2008

# BALESTRA, HARR & SCHERER, CPAs, INC.

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## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Members of the Board  
Ripley Union Lewis Huntington Local School District  
120 Main Street  
Ripley, Ohio 45167

### **Compliance**

We have audited the compliance of the Ripley Union Lewis Huntington Local School District (the School District), Brown County, 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 year ended June 30, 2007. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A control deficiency in the School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

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

This report is intended solely for the information and use of management, members of the Board, and 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.



Balestra, Harr & Scherer, CPAs, Inc.  
February 15, 2008

**Ripley Union Lewis Huntington Local School District**  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 Section .505  
 For the Fiscal Year Ended June 30, 2007

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**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education – Grants to States, CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

*Ripley Union Lewis Huntington Local School District*  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 Section .505  
For the Fiscal Year Ended June 30, 2007

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

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**Mary Taylor, CPA**  
Auditor of State

**RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2008**