



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT
BROWN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Education
Ripley Union Lewis Huntington Local School District
P.O. Box 85
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, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 10, 2012

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RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT

Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board of Education
Ripley Union Lewis Huntington Local School District
P.O. Box 85
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, Brown County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ripley Union Lewis Huntington Local School District, Brown County, Ohio, as of June 30, 2012, and the respective changes in cash financial position and the budgetary comparison of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The schedule of federal awards receipts and expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
September 28, 2012

Ripley Union Lewis Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- Net assets of governmental activities increased \$31,242.
- General cash receipts accounted for \$10,600,860 or 80 percent of all cash receipts. Program specific cash receipts in the form of charges for services, sales, grants, and contributions accounted for \$2,581,503 or 20 percent of total governmental cash receipts.
- The School District had \$13,151,121 in cash disbursements related to governmental activities; only \$2,581,503 of these cash disbursements were offset by program specific charges for services, sales, grants, contributions and interest.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The *Statement of Net Assets – Cash Basis* and *Statement of Activities- Cash Basis* provide information about the activities of the School District as a whole.

Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Ripley Union Lewis Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2012, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Ripley Union Lewis Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 2012 and 2011:

(Table 1)
Net Assets - Cash Basis
Governmental Activities

	2012	2011	Change
Assets			
Current Assets	\$4,760,049	\$4,728,807	\$31,242
Total Assets	<u>4,760,049</u>	<u>4,728,807</u>	<u>31,242</u>
Net Assets			
Restricted	3,330,594	3,408,555	(77,961)
Unrestricted (Deficit)	<u>1,429,455</u>	<u>1,320,252</u>	<u>109,203</u>
Total Net Assets	<u>\$4,760,049</u>	<u>\$4,728,807</u>	<u>\$31,242</u>

Current assets increased due to cash receipts exceeding cash disbursements. See Table 2 for addition information regarding the School District's cash receipts and cash disbursements.

Table 2 shows the highlights of the School District's cash receipts and cash disbursements. These two main components are subtracted to yield the change in net assets. Table 2 provides a comparison between fiscal years 2012 and 2011.

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

(Table 2)
Change in Net Assets
Governmental Activities

	2012	2011	Change
Cash Receipts			
Program Cash Receipts:			
Charges for Services and Sales	\$502,421	\$548,799	(\$46,378)
Operating Grants and Contributions	<u>2,079,082</u>	<u>2,783,961</u>	<u>(704,879)</u>
Total Program Cash Receipts\	<u>2,581,503</u>	<u>3,332,760</u>	<u>(751,257)</u>
General Cash Receipts:			
Property Taxes	2,417,195	2,352,554	64,641
Grants and Entitlements not			
Restricted to Specific Programs	7,147,577	7,081,865	65,712
Investment Earnings	6,686	12,936	(6,250)
Refunding Bonds Issued	835,000	0	835,000
Premium on Refunding Bonds	64,177	0	64,177
Gifts and Donations not Restricted to Specific Programs	6,819	7,744	(925)
Proceeds from Sale of Capital Assets	2,607	2,652	(45)
Miscellaneous	<u>120,799</u>	<u>72,377</u>	<u>48,422</u>
Total General Cash Receipts	<u>10,600,860</u>	<u>9,530,128</u>	<u>1,070,732</u>
Total Cash Receipts	<u>\$13,182,363</u>	<u>\$12,862,888</u>	<u>\$319,475</u>

(continued)

Ripley Union Lewis Huntington Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

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

	2012	2011	Change
Program Cash Disbursements			
Instruction:			
Regular	\$4,898,595	\$5,052,845	(\$154,250)
Special	1,333,820	1,361,442	(27,622)
Vocational	423,865	440,034	(16,169)
Student Intervention Services	196,725	147,177	49,548
Support Services:			
Pupils	387,540	343,143	44,397
Instructional Staff	682,053	889,272	(207,219)
Board of Education	115,614	148,650	(33,036)
Administration	875,604	833,070	42,534
Fiscal	298,681	330,983	(32,302)
Operation and Maintenance of Plant	1,067,498	1,124,305	(56,807)
Pupil Transportation	651,886	653,651	(1,765)
Central	82,251	85,017	(2,766)
Operation of Non-Instructional Services	548,298	559,743	(11,445)
Extracurricular Activities	174,086	171,613	2,473
Capital Outlay	0	10,070	(10,070)
Debt Service:			
Principal	317,650	313,420	4,230
Interest and Fiscal Charges	197,778	219,592	(21,814)
Payment to Refunding Bond Escrow Agent	873,261	0	873,261
Issuance Costs	25,916	0	25,916
Total Program Cash Disbursements	13,151,121	12,684,027	467,094
Increase in Net Assets	31,242	178,861	(147,619)
Net Assets at Beginning of Year	4,728,807	4,549,946	178,861
Net Assets at End of Year	<u>\$4,760,049</u>	<u>\$4,728,807</u>	<u>\$31,242</u>

Governmental Activities

Grants and Entitlements not Restricted to Specific Programs made up 54 percent of cash receipts for governmental activities. Property Tax Receipts made up 18 percent of the total cash receipts for a total of 72 percent of the School Districts cash receipts. Operating grants and contributions decreased due to decreased revenue from ARRA Programs and the Fiscal Stabilization Program. These decreases were offset in part by an increase in monies received from the JOBS Program. The increase in Refunding Bonds Issued is due to the issuance of debt during the current fiscal year.

Regular instruction comprises 37 percent of governmental program cash disbursements. Payment to Refunding Bond Escrow Agent increased due to the District refunding debt during the current fiscal year. Regular Instruction decreased due to the District eliminating three teaching positions. Instructional Staff decreased due to the District eliminating two para-professionals and a classroom facilitator, in addition to decreasing expenses for professional development as a result of decreased ARRA monies.

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

Ripley Union Lewis Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3 provides a comparison between fiscal years 2012 and 2011.

(Table 3)
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$6,853,005	\$5,609,097	\$7,001,498	\$5,007,862
Support Services	4,161,127	3,568,565	4,408,091	3,658,956
Operation of Non-				
Instructional Services	548,298	(63,957)	559,743	13,093
Extracurricular Activities	174,086	41,308	171,613	128,274
Capital Outlay	0	0	10,070	10,070
Debt Service:				
Principal	317,650	317,650	313,420	313,420
Interest and Fiscal Charges	197,778	197,778	219,592	219,592
Payment to Refunding Bond Escrow Agent	873,261	873,261	0	0
Issuance Costs	25,916	25,916	0	0
Total Expenses	<u>\$13,151,121</u>	<u>\$10,569,618</u>	<u>\$12,684,027</u>	<u>\$9,351,267</u>

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$13,747,525 and cash disbursements and other financing uses of \$13,716,283. The net change in fund balance for the fiscal year was most significant in the General Fund, with an increase of \$109,203. The net change in fund balances for the fiscal year in the Bond Retirement Fund and the Construction Fund were a decrease of \$24,127 and an increase of \$840, 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 2012, 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 \$500 above as the final budgeted amount in the General Fund and was \$45,621 above the original budgeted amount.

For the General Fund, original budgeted receipts were \$9,434,344 and final budgeted receipts were \$9,686,688. This represents an increase in estimated receipts of \$252,344, which was primarily due to an increase in intergovernmental revenue and property taxes. There was a \$500 difference between the actual budget basis receipts and final budgeted receipts.

Original budgeted disbursements in the General Fund were \$9,711,059 and final budgeted expenditures were \$9,918,282. This represents an increase in estimated expenditures of \$207,223, which was primarily due to an increase in pupil transportation and anticipated advances out. The difference between actual budget basis expenditures and final budgeted expenditures was \$0. Prior to fiscal year-end, the School District passed a supplemental appropriation that matched appropriations to expenditures and encumbrances for the fiscal year.

Ripley Union Lewis Huntington Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2012
 Unaudited

Capital Assets and Debt

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had no capital outlay disbursements during fiscal year 2012.

Debt

At June 30, 2012 the School District had \$1,429,569 in bonds outstanding. \$235,724 of the bonds outstanding represents the amounts due within one year. Table 4 summarizes bonds outstanding:

(Table 4)
 Outstanding Debt, at Fiscal Year-end
 Governmental Activities

	2012	2011
General Obligation Bonds:		
1998 School Improvement Refunding Bonds 3.95%-5.05%	\$282,569	\$391,219
1998 School Improvement Bonds 4.75%-5.05%	245,000	355,000
2003 Classroom Facilities Bonds 2.0%-9.914%	67,000	1,047,000
2012 Classroom Facilities Refunding Bonds 0.6%-28.19%	835,000	0
Totals	\$1,429,569	\$1,793,219

The School District's overall legal debt margin was \$7,792,589, and the unvoted debt margin was \$102,468 at June 30, 2012.

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

Current Financial Issues and Concerns

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

State revenues are approximately 75% of this District's projected General operational revenues, thus variations in the State budget significantly impact our overall educational program. Changes in the State economy and pending legal disputes could affect the School District's revenues next year. The State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2012 will be dependent upon changes in the State's biennial budget for fiscal year 2013. Due to the economic conditions within the State and the anticipated shortfall in tax revenues in the next biennial budget, the level at which the State will fund schools is uncertain and subject to change.

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

Ripley Union Lewis Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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, 502 South Second Street, Ripley, Ohio 45167.

Ripley Union Lewis Huntington Local School District

Statement of Net Assets - Cash Basis

June 30, 2012

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,760,049</u>
<i>Total Assets</i>	<u>4,760,049</u>
NET ASSETS:	
Restricted for:	
Debt Service	876,525
Capital Projects	1,868,924
Other Purposes	585,145
Unrestricted	<u>1,429,455</u>
<i>Total Net Assets</i>	<u><u>\$4,760,049</u></u>

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

Ripley Union Lewis Huntington Local School District

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$4,898,595	\$121,799	\$523,222	(\$4,253,574)
Special	1,333,820	24,530	397,258	(912,032)
Vocational	423,865	12,073	-	(411,792)
Student Intervention Services	196,725	11	165,015	(31,699)
Support Services:				
Pupils	387,540	11,039	-	(376,501)
Instructional Staff	682,053	12,531	203,512	(466,010)
Board of Education	115,614	3,293	-	(112,321)
Administration	875,604	20,296	137,039	(718,269)
Fiscal	298,681	8,083	1,104	(289,494)
Operation and Maintenance of Plant	1,067,498	26,562	113,446	(927,490)
Pupil Transportation	651,886	18,101	30,828	(602,957)
Central	82,251	2,189	4,539	(75,523)
Operation of Non-Instructional Services	548,298	151,406	460,849	63,957
Extracurricular Activities	174,086	90,508	42,270	(41,308)
Debt Service:				
Principal	317,650	-	-	(317,650)
Interest and Fiscal Charges	197,778	-	-	(197,778)
Payment to Refunding Bond Escrow Agent	873,261	-	-	(873,261)
Issuance Costs	25,916	-	-	(25,916)
<i>Total Governmental Activities</i>	<u>\$13,151,121</u>	<u>\$502,421</u>	<u>\$2,079,082</u>	<u>(10,569,618)</u>
General Cash Receipts				
Property Taxes Levied for:				
General Purposes				1,985,871
Capital Outlay				38,173
Debt Service				393,151
Grants and Entitlements not				
Restricted to Specific Programs				7,147,577
Investment Earnings				6,686
Refunding Bonds Issued				835,000
Premium on Refunding Bonds				64,177
Gifts and Donations not Restricted to Specific Programs				6,819
Proceeds from Sale of Capital Assets				2,607
Miscellaneous				120,799
<i>Total General Cash Receipts</i>				10,600,860
<i>Change in Net Assets</i>				31,242
<i>Net Assets at Beginning of Year</i>				<u>4,728,807</u>
<i>Net Assets at End of Year</i>				<u><u>\$4,760,049</u></u>

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

Ripley Union Lewis Huntington Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2012

	General	Bond Retirement	Construction	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,402,641	\$ 876,525	\$ 1,868,924	\$ 585,145	\$ 4,733,235
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	26,814	-	-	-	26,814
<i>Total Assets</i>	<u>\$ 1,429,455</u>	<u>\$ 876,525</u>	<u>\$ 1,868,924</u>	<u>\$ 585,145</u>	<u>\$ 4,760,049</u>
FUND BALANCES:					
Restricted	\$ 26,814	\$ 876,525	\$ 1,868,924	\$ 585,145	\$ 3,357,408
Committed	1,400	-	-	-	1,400
Assigned	381,147	-	-	-	381,147
Unassigned	1,020,094	-	-	-	1,020,094
<i>Total Fund Balances</i>	<u>\$ 1,429,455</u>	<u>\$ 876,525</u>	<u>\$ 1,868,924</u>	<u>\$ 585,145</u>	<u>\$ 4,760,049</u>

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

Ripley Union Lewis Huntington Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Construction	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property Taxes	\$ 1,985,871	\$ 393,151	\$ -	\$ 38,173	\$ 2,417,195
Intergovernmental	7,097,128	60,153	-	2,069,378	9,226,659
Interest	5,500	-	840	346	6,686
Tuition and Fees	257,623	-	-	-	257,623
Rent	6,410	-	-	-	6,410
Extracurricular Activities	40,184	-	-	46,798	86,982
Gifts and Donations	6,819	-	-	-	6,819
Customer Sales and Services	-	-	-	151,406	151,406
Miscellaneous	53,450	-	-	67,349	120,799
<i>Total Cash Receipts</i>	<u>9,452,985</u>	<u>453,304</u>	<u>840</u>	<u>2,373,450</u>	<u>12,280,579</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	4,276,089	-	-	622,506	4,898,595
Special	861,180	-	-	472,640	1,333,820
Vocational	423,865	-	-	-	423,865
Student Intervention Services	397	-	-	196,328	196,725
Support Services:					
Pupils	387,540	-	-	-	387,540
Instructional Staff	439,924	-	-	242,129	682,053
Board of Education	115,614	-	-	-	115,614
Administration	712,561	-	-	163,043	875,604
Fiscal	283,772	13,596	-	1,313	298,681
Operation and Maintenance of Plant	932,525	-	-	134,973	1,067,498
Pupil Transportation	635,499	-	-	16,387	651,886
Central	76,851	-	-	5,400	82,251
Operation of Non-Instructional Services	-	-	-	548,298	548,298
Extracurricular Activities	123,795	-	-	50,291	174,086
Debt Service:					
Principal Retirement	29,000	288,650	-	-	317,650
Interest and Fiscal Charges	22,593	175,185	-	-	197,778
Issuance Costs	-	25,916	-	-	25,916
<i>Total Cash Disbursements</i>	<u>9,321,205</u>	<u>503,347</u>	<u>-</u>	<u>2,453,308</u>	<u>12,277,860</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>131,780</u>	<u>(50,043)</u>	<u>840</u>	<u>(79,858)</u>	<u>2,719</u>
OTHER FINANCING SOURCES AND USES:					
Payment to Refunded Bond Escrow Agent	-	(873,261)	-	-	(873,261)
Proceeds from Sale of Capital Assets	2,607	-	-	-	2,607
Advances In	269,989	-	-	295,173	565,162
Refunding Bonds Issued	-	835,000	-	-	835,000
Premium on Refunding Bonds	-	64,177	-	-	64,177
Advances Out	(295,173)	-	-	(269,989)	(565,162)
<i>Total Other Financing Sources and Uses</i>	<u>(22,577)</u>	<u>25,916</u>	<u>-</u>	<u>25,184</u>	<u>28,523</u>
<i>Net Change in Fund Balances</i>	109,203	(24,127)	840	(54,674)	31,242
<i>Fund Balances at Beginning of Year</i>	<u>1,320,252</u>	<u>900,652</u>	<u>1,868,084</u>	<u>639,819</u>	<u>4,728,807</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,429,455</u>	<u>\$ 876,525</u>	<u>\$ 1,868,924</u>	<u>\$ 585,145</u>	<u>\$ 4,760,049</u>

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

Ripley Union Lewis Huntington Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 9,434,344	\$ 9,686,688	\$ 9,687,188	\$ 500
Total Cash Disbursements and Other Financing Uses	9,711,059	9,918,282	9,918,282	-
Net Change in Fund Balance	(276,715)	(231,594)	(231,094)	500
Fund Balance at Beginning of Year	1,180,597	1,180,597	1,180,597	-
Prior Year Encumbrances Appropriated	110,436	110,436	110,436	-
Fund Balance at End of Year	\$ 1,014,318	\$ 1,059,439	\$ 1,059,939	\$ 500

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

Ripley Union Lewis Huntington Local School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2012

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 56,852	\$ 54,640
<i>Total Assets</i>	56,852	54,640
NET ASSETS:		
Held in Trust for Scholarships	56,852	-
Unrestricted	-	54,640
<i>Total Net Assets</i>	\$ 56,852	\$ 54,640

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

Ripley Union Lewis Huntington Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust Fund
ADDITIONS:	
Interest	\$ 105
Total Additions	105
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	6,000
Change in Net Assets	(5,895)
<i>Net Assets Beginning of Year</i>	<u>62,747</u>
<i>Net Assets End of Year</i>	<u><u>\$ 56,852</u></u>

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

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

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

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

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

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

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

The School District serves an area of 99 square miles. It is located in Brown County, including all of the Villages of Ripley, Aberdeen and Higginsport, and portions of surrounding townships. The Board of Education controls the School District's three instructional support facilities staffed by 32 non-certificated and 81 teaching personnel and 13 administrative employees providing education to 1,090 students.

Reporting Entity:

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

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

The following activities are included within the reporting entity:

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

The School District participates in four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Unified Purchasing Cooperative of the Ohio River Valley (UPC), the Brown County Schools Benefits Consortium, and the Cincinnati USA Regional Chamber Ohio Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Fund Accounting

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

Governmental Funds:

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

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

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

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

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

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

Fiduciary Funds:

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

Basis of Presentation

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

Government-wide Financial Statements

The statement of net 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 fiduciary funds.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

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

Fund Financial Statements

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

Cash Receipts – Exchange and Non-exchange Transactions

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

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

Cash Disbursements

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

Budgetary Process

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

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

Cash and Cash Equivalents

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

During fiscal year 2012, the School District's investments were limited to certificates of deposit, and funds invested in the State Treasury Asset Reserve of Ohio (STAROhio). Certificates of deposit are recorded at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

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, Construction Fund, All Other Governmental Funds, and the Private Purpose Trust Fund during fiscal year 2012 amounted to \$5,500, \$840, \$346, and \$105, respectively.

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

Capital Assets and Depreciation

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

Compensated Absences

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

Long-Term Obligations

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

Net Assets

Net cash assets represent the cash assets held by the School District at year end. 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. Restricted for Other Purposes is comprised of net assets restricted for state and federal programs. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2012, of the School District's \$3,330,594 in restricted net assets, none was restricted by enabling legislation.

Fund Balance

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

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

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

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

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

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

Interfund Transactions

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

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

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. Restricted assets in the General Fund represent unexpended grants restricted for the purchase of buses.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

	General Fund
Cash Basis (as reported)	\$109,203
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	(9,766)
Encumbrances	(330,531)
Budget Basis	<u><u>(\$231,094)</u></u>

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS *(continued)*

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

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

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

Deposits

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

As of June 30, 2012, the District's bank balance of \$959,990 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments

As of June 30, 2012, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$4,191,266</u>	<u><1 Year</u>

Interest Rate Risk

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

Credit Risk

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2012 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 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. 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.

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$95,721,710	93.42%	\$95,555,860	93.04%
Public Utility Personal	6,746,710	6.58%	7,150,430	6.96%
Total Assessed Value	<u>\$102,468,420</u>	<u>100.00%</u>	<u>\$102,706,290</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.85		\$34.65	

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Ohio School Plan for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$51,640,145.

The School District's vehicles are covered by Ohio School Plan and hold a \$250 deductible for comprehensive coverage and a \$500 deductible for collision coverage for autos other than buses. Buses hold a \$1,000 deductible for both comprehensive and collision coverage. Automobile liability has a \$3,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years. The School District evaluated insurance coverages and therefore increased their coverage for the current year.

B. Workers' Compensation

For fiscal year 2012, the School District participated in the Cincinnati USA Regional Chamber Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 Sheakley Uniservice Incorporated provides administrative, cost control, and actuarial services to the GRP.

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 15) consisting of nine districts. The Consortium has elected to have United Health Care provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions relating to the medical insurance and all claims related to dental of its employees from the date of termination, regardless of the date such claims were incurred.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$189,792, \$226,608, and \$143,368, respectively, which equaled the required annual contribution for each year.

State Teachers Retirement System

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

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

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

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

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

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2012, 2011, and 2010, 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. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$672,336, \$722,124, and \$662,628, respectively; which were equal to the required amounts for those years.

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

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, 2012, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 8 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$48,024, \$51,580, and \$49,609, for fiscal years 2012, 2011, and 2010, respectively; which is equal to the required amounts for those years.

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$10,167, \$12,302, and \$10,511, which equaled the required contributions for those years.

Health Care Plan

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

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 8 - POSTEMPLOYMENT BENEFITS *(continued)*

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

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$30,103, \$46,248, and \$84,941, respectively; which is equal to the required amounts for those years.

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

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

NOTE 9 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

C. Deferred Compensation

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

D. Retirement Incentive

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

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

In fiscal year 2012, the School District made the ninth scheduled payment in the amount of \$29,000 and also made interest payments of \$22,593. The outstanding principal amount on the lease at June 30, 2012 is \$418,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2012.

Fiscal Year Ending June 30,	Total Payments
2013	\$51,263
2014	51,850
2015	51,359
2016	50,739
2017	51,037
2018-2022	251,566
2023	49,476
Total	557,290
Less: Amount Representing Interest	(139,290)
Present Value of Minimum Lease Payments	<u>\$418,000</u>

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
School Improvement Refunding Bonds					
2/12/1998 3.95% - 5.05%	\$391,219	\$0	\$108,650	\$282,569	\$100,724
School Improvement Bonds					
7/1/1998 4.75% - 5.05%	355,000	0	110,000	245,000	120,000
Classroom Facilities Bonds 9/1/2002:					
Serial Bonds 2.0% to 3.9%	225,000	0	225,000	0	15,000
Term Bonds 4.6% to 4.9%	755,000	0	755,000	0	0
Capital Appreciation Bonds 9.914%	67,000	0	0	67,000	0
Classroom Facilities Bonds 3/8/2012:					
Serial Bonds 0.6% to 1.0%	0	115,000	0	115,000	0
Term Bonds 4.6% to 4.9%	0	710,000	0	710,000	0
Capital Appreciation Bonds 28.19%	0	10,000	0	10,000	0
Total General Obligation Bonds	1,793,219	835,000	1,198,650	1,429,569	235,724
Capital Lease	447,000	0	29,000	418,000	30,000
Total Governmental Activities					
Long-Term Obligations	<u>\$2,240,219</u>	<u>\$835,000</u>	<u>\$1,227,650</u>	<u>\$1,847,569</u>	<u>\$265,724</u>

School Improvement Refunding Bonds

On February 12, 1998, the School District issued \$2,749,992 in School Improvement Refunding Bonds to defease a 1991 general obligation bond issue by entering into an escrow agreement with Star Bank. The bonds were issued for a seventeen year period with final maturity on December 1, 2014. The bonds are being paid from the Bond Retirement Fund. All of the original defeased 1991 bonds were retired as of December 1, 2001.

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 are being 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 2024. The bonds are being 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. 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 term and serial bonds issued were refunded during fiscal year 2012.

The capital appreciation bonds, issued at \$67,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 through 2017. The maturity amounts of the capital appreciation bonds are \$80,000 in fiscal years 2015 through 2017. For fiscal year 2012, the capital appreciation bonds were accreted \$18,746 for a total of \$121,409.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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

2012 Classroom Facilities Bonds

On March 8, 2012, the School District issued \$835,000 in voted general obligation bonds for the purpose of refunding the 2002 Classroom Facilities Bonds. The bonds were issued for a thirteen year period with final maturity in 2025. The bonds will be retired from the Bond Retirement Fund.

The serial bonds, issued at \$155,000 with maturity dates of December 1, 2012 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, 2013.

The capital appreciation bonds, issued at \$10,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2021. The maturity amount of the capital appreciation bonds is \$100,000. For fiscal year 2012, the capital appreciation bond was accreted \$627 for a total of \$627.

The School District's overall legal debt margin was \$7,792,589 with an unvoted debt margin of \$102,468 at June 30, 2012.

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

The capital lease obligation will be paid from the General Fund.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

School Improvement Refunding and School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2013	\$220,724	\$148,619	\$369,343
2014	219,495	148,661	368,156
2015	87,350	147,651	235,001
Total	<u>\$527,569</u>	<u>\$444,931</u>	<u>\$972,500</u>

Classroom Facilities Bonds

Fiscal year Ending June 30,	2012 School Facility				2002 School Facility			
	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Capital Appreciation Principal	Capital Appreciation Interest
2013	\$15,000	\$20,053	\$0		\$0	\$0	\$0	\$0
2014	100,000	15,742	0		0	0	0	0
2015	0	0	10,000	15,175	0	0	24,526	59,343
2016	0	0	10,000	15,040	0	0	22,263	53,868
2017	0	0	10,000	14,905	0	0	20,211	59,789
2018-2022	0	0	375,000	56,761	10,000	90,000	0	0
2023-2025	0	0	305,000	12,016	0	0	0	0
Total	<u>\$115,000</u>	<u>\$35,795</u>	<u>\$710,000</u>	<u>\$113,897</u>	<u>\$10,000</u>	<u>\$90,000</u>	<u>\$67,000</u>	<u>\$173,000</u>

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 12 - 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 Developmental Disabilities (BDD). The BDD paid the cost of constructing an early childhood center on School District Property. The portion of the building being used by BDD consists of the Adams/Brown Head Start units. The valuation at the time of its completion was \$794,027. In consideration for the BDD's funding of the project, the School District receives \$1.00 per fiscal 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 BDD for a prorated amount of the original \$794,027 in funding provided by BDD, 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 13 - INTERFUND ACTIVITY

The School District made the following advances during fiscal year 2012:

<u>Interfund Advances</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 269,989	\$ 295,173
Other Governmental Funds	295,173	269,989
Total Advances	<u>\$ 565,162</u>	<u>\$ 565,162</u>

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

NOTE 14 - 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 \$124,390 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

B. Unified Purchasing Cooperative of the Ohio River Valley

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of 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.

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, 2012

NOTE 15 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

Brown County Schools Benefits Consortium

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

NOTE 16 - INSURANCE PURCHASING POOL

Cincinnati USA Regional Chamber Ohio Workers' Compensation Group Rating Plan

The School District participates in the Cincinnati USA Regional Changer Workers' Compensation Group Rating Plan (GRP, an insurance purchasing pool. 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.

NOTE 17 - SET-ASIDE CALCULATIONS

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

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	190,666
Current Fiscal Year Offsets	(87,967)
Current Fiscal Year Qualifying Disbursements	<u>(102,699)</u>
Set-aside Balance Carried Forward to Future Years	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2012	<u><u>\$0</u></u>

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 17 - SET-ASIDE CALCULATIONS *(continued)*

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

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

NOTE 18 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently party to any legal proceedings.

NOTE 19 - COMPLIANCE

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is not in compliance with Ohio law.

Ripley Union Lewis Huntington Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 20 - FUND BALANCES

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

Fund Balances	General	Bond Retirement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for					
Other Purposes	\$0	\$0	\$0	\$143,921	\$143,921
Construction	0	0	1,868,924	0	1,868,924
Food Service Operations	0	0	0	185,855	185,855
Classroom Facilities	0	0	0	230,431	230,431
Bus Purchases	26,814	0	0	0	26,814
Athletics	0	0	0	24,938	24,938
Debt Services Payments	0	876,525	0	0	876,525
Total Restricted	<u>26,814</u>	<u>876,525</u>	<u>1,868,924</u>	<u>585,145</u>	<u>3,357,408</u>
Committed to					
Pay to Participate	<u>1,400</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,400</u>
Assigned to					
Other Purposes	<u>381,147</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>381,147</u>
Unassigned (Deficit)	<u>1,020,094</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,020,094</u>
Total Fund Balances	<u><u>\$1,429,455</u></u>	<u><u>\$876,525</u></u>	<u><u>\$1,868,924</u></u>	<u><u>\$585,145</u></u>	<u><u>\$4,760,049</u></u>

NOTE 21 – SUBSEQUENT EVENTS

Effective July 1, 2012, the School District became a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is the computer consortium formerly known as South Central Ohio Computer Association (SCOCA).

In August of 2012, the School District accepted a bid to sell the building located at 120 Main Street that housed their administrative offices.

Ripley Union Lewis Huntington Local School District
Schedule of Federal Awards Receipts & Expenditures
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	96,855	-	96,855	-
National School Lunch Program	3L60	10.555	246,659	25,516	246,659	26,917
Total Nutrition Cluster			343,514	25,516	343,514	26,917
Total United States Department of Agriculture			343,514	25,516	343,514	26,917
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	238,803	-	244,472	-
ARRA - Special Education Grants to States, Recovery Act	3DJ0	84.391	43,264	-	42,848	-
Total Special Education Cluster			282,067	-	287,320	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	390,469	-	414,363	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	72,465	-	47,869	-
Total Title I, Part A Cluster			462,934	-	462,232	-
<i>Education Technology State Grants Cluster:</i>						
Education Technology State Grants	3S20	84.318	432	-	2,979	-
ARRA - Education Technology State Grants, Recovery Act	3DM0	84.386	17,207	-	-	-
Total Education Technology State Grants Cluster			17,639	-	2,979	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	53,795	-	68,721	-
Twenty-First Century Community Learning Centers	3Y20	84.287	278,141	-	290,144	-
Education Jobs Fund	3ET0	84.410	357,827	-	357,059	-
Improving Teacher Quality State Grants	3Y60	84.367	96,345	-	96,883	-
Total United States Department of Education			1,548,748	-	1,565,338	-
Corporation for National and Community Service						
<i>Passed through the Ohio Department of Education</i>						
Learn and Serve America - School and Community Based Programs	3780	94.004	1,684	-	-	-
Total Corporation for National and Community Service			1,684	-	-	-
Total Federal Financial Assistance			1,893,946	25,516	1,908,852	26,917

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

Ripley Union Lewis Huntington Local School District
Brown County

**Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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 (expenditure) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

Members of the Board of Education
Ripley Union Lewis Huntington Local School District
P.O. Box 85
Ripley, Ohio 45167

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ripley Union Lewis Huntington Local School District, Brown County, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 28, 2012 wherein we noted the District follows a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's managements in a separate letter dated September 28, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management, members of the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
September 28, 2012



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

Members of the Board of Education
Ripley Union Lewis Huntington Local School District
P.O.Box 85
Ripley, Ohio 45167

Compliance

We have audited the compliance of Ripley Union Lewis Huntington Local School District, Brown County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Ripley Union Lewis Huntington Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Ripley Union Lewis Huntington Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Members of the Board of Education
Ripley Union Lewis Huntington Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control over Compliance Required by OMB Circular A-133
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated September 28, 2012.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
September 28, 2012

**Ripley Union Lewis Huntington Local School District
Brown County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

1. 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 control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control 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 §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Education Job Funds - CFDA# 84.410 <u>Child Nutrition Cluster:</u> School Breakfast Program - CFDA# 10.553 National School Lunch Program - CFDA#10.555
(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
Brown County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012

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

FINDING NUMBER 2012-001

Material Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response:

In June, 2011 the Board of Education agreed to prepare and report the financial statements for the District using the OCBOA format. They made this decision to save time and money for the District. These savings would be at least \$5000 from 2010 (even after paying the fine) and would not affect the students in the classroom. At this point, our District must consider every potential savings and its affect on the education of our students.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

**Ripley Union Lewis Huntington Local School District
Brown County, Ohio**

**Schedule of Prior Audit Findings
June 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Not Corrected

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Dave Yost • Auditor of State

RIPLEY UNION LEWIS HUNTINGTON LOCAL SCHOOL DISTRICT

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2012**