

**NORTH UNION LOCAL SCHOOL DISTRICT
RICHWOOD, OHIO
FINANCIAL STATEMENTS
JUNE 30, 2000**

**PREPARED BY
TREASURER'S DEPARTMENT
SCOTT MARUNIAK, TREASURER**



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OFFICE OF THE AUDITOR

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North Union Local School District
401 N. Franklin Street
Richwood, Ohio 43344

We have reviewed the Independent Auditor's Report of the North Union Local School District, Union County, prepared by Holbrook & Manter, for the audit period July 1, 1999 through June 30, 2000. 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 North Union Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 31, 2001

NORTH UNION LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

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NORTH UNION LOCAL BOARD OF EDUCATION

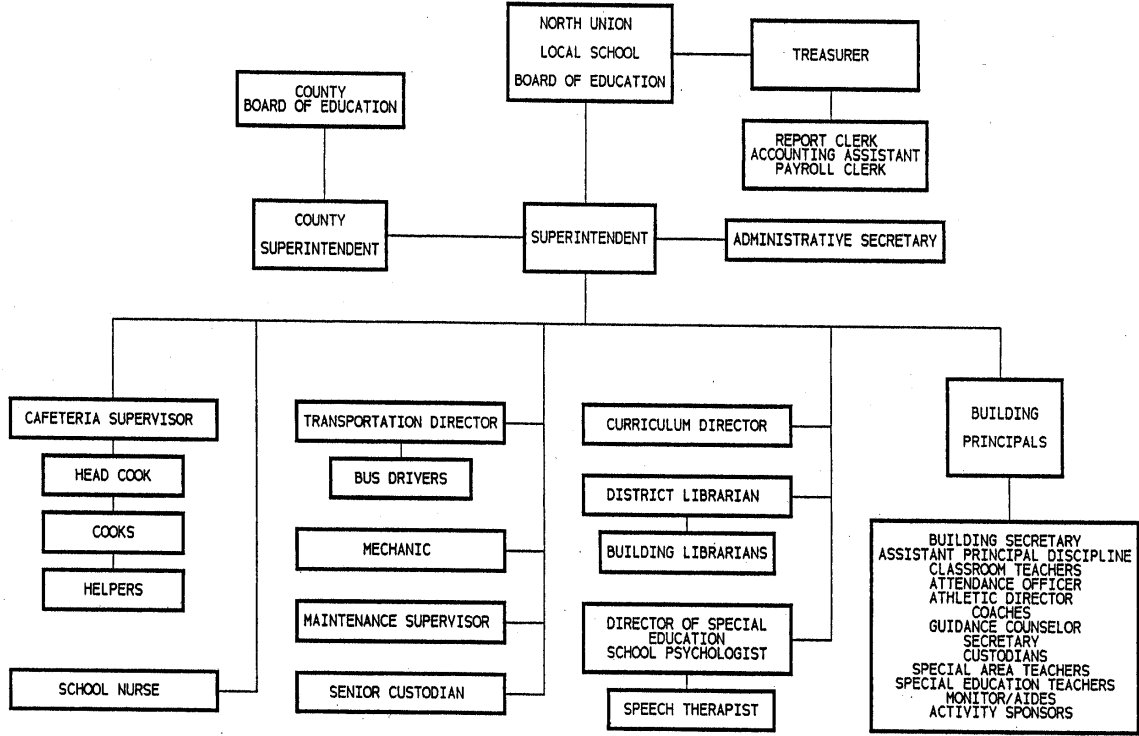
List of Principle Officials

BOARD OF EDUCATION	
Mr. James Hall.....	President
Mr. Jim Monroe.....	Vice President
Mr. Jon Hall.....	Member
Mr. Dan Erwin.....	Member
Mr. Andy Middlesworth.....	Member

TREASURER
Scott Maruniak

ADMINISTRATION	
Dr. Carol Young.....	Superintendent
Mr. Eric Hoffman.....	High School Principal
Mr. Eric Holman.....	High School Assistant Principal
Mrs. Diana Martin.....	Middle School Principal
Mr. James Inskeep.....	Claibourne Elementary Principal
Mr. William Stoner.....	Jackson Elementary Principal
Mr. William Stoner.....	Leesburg Elementary Principal

ORGANIZATIONAL CHART





INDEPENDENT AUDITOR'S REPORTS

Board of Education
North Union Local School District
Union County
Richwood, Ohio 43344

We have audited the accompanying general-purpose financial statements of North Union Local School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of North Union Local School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of North Union Local School District as of June 30, 2000, and the results of operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2000 on our consideration of North Union Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used in conjunction with this report in considering the results of our audit.

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

Holbrook & Manter

Certified Public Accountants

October 30, 2000
Marion, Ohio

NORTH UNION LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY</u>	<u>FIDUCIARY</u>	<u>ACCOUNT GROUPS</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL</u>	<u>DEBT</u>	<u>CAPITAL</u>	<u>FUND TYPES</u>	<u>FUND TYPES</u>	<u>GENERAL</u>	<u>GENERAL</u>	<u>2000</u>
					<u>ENTERPRISE</u>	<u>TRUST AND</u>	<u>FIXED ASSETS</u>	<u>LONG TERM DEBT</u>	<u>MEMO</u>
		<u>REVENUE</u>	<u>SERVICE</u>	<u>PROJECT</u>		<u>AGENCY</u>			<u>(ONLY)</u>
ASSETS AND OTHER DEBITS:-									
Equity in pooled cash and investments	\$ 4,046,160	\$ 141,294	\$ 0	\$ 922,511	\$ 53,673	\$ 141,205	\$ 0	\$ 0	\$ 5,304,843
Cash in segregated account	0	0	16,484	0	0	0	0	0	16,484
Restricted assets	210,330	0	0	0	0	0	0	0	210,330
Taxes receivable	3,151,709	0	0	91,609	0	0	0	0	3,243,318
Interfund receivables	13,504	0	0	0	0	0	0	0	13,504
Due from other funds	0	0	0	0	0	648	0	0	648
Intergovernment receivables	450	24,034	0	0	0	0	0	0	24,484
Accounts receivable	13,504	0	0	0	745	125	0	0	14,374
Inventory	0	0	0	0	2,065	0	0	0	2,065
Inventory for resale	0	0	0	0	8,810	0	0	0	8,810
Property, plant and equipment	0	0	0	0	228,057	0	7,885,572	0	8,113,629
Accumulated depreciation, where applicab	0	0	0	0	(118,753)	0	0	0	(118,753)
Amount to be provided for retirement of									0
General Long Term Debt	0	0	0	0	0	0	0	506,811	506,811
Total assets and other debits	\$ 7,435,657	\$ 165,328	\$ 16,484	\$ 1,014,120	\$ 174,597	\$ 141,978	\$ 7,885,572	\$ 506,811	\$ 17,340,547

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	ACCOUNT GROUPS		TOTALS
	GENERAL	SPECIAL	DEBT	CAPITAL	FUND TYPES	FUND TYPES	GENERAL	GENERAL	2000
		REVENUE	SERVICE	PROJECT	ENTERPRISE	TRUST AND AGENCY	FIXED ASSETS	LONG TERM DEBT	MEMO (ONLY)
LIABILITIES:-									
Interfund payables	\$ 0	\$ 1,666	\$ 0	\$ 11,060	\$ 0	\$ 778	\$ 0	\$ 0	\$ 13,504
Due to other funds	607	23	0	0	18	0	0	0	648
Intergovernmental payables	124,958	75	0	0	3,851	35,728	0	84,022	248,634
Matured bonds payable	0	0	16,484	0	0	0	0	0	16,484
Accounts payable	150,263	44,852	0	42,065	1,583	5,539	0	0	244,302
Accrued salaries and benefits	652,371	23,830	0	0	21,359	0	0	0	697,560
Deferred revenue	2,372,468	0	0	82,889	3,227	0	0	0	2,458,584
Due to others	0	0	0	0	0	48,026	0	0	48,026
Compensated absences payable	35,668	0	0	0	6,064	0	0	422,789	464,521
Total liabilities	3,336,335	70,446	16,484	136,014	36,102	90,071	0	506,811	4,192,263
FUND EQUITY AND OTHER CREDITS:-									
Investment in General Fixed Assets	0	0	0	0	0	0	7,885,572	0	7,885,572
Retained earnings	0	0	0	0	138,495	0	0	0	138,495
Fund balances:-									
Reserved for budget stabilization	193,243	0	0	0	0	0	0	0	193,243
Reserved for textbook acquisition	17,087	0	0	0	0	0	0	0	17,087
Reserved for encumbrances	923,801	21,979	0	799,232	0	179	0	0	1,745,191
Reserved for property taxes	232,946	0	0	8,392	0	0	0	0	241,338
Unreserved fund balances	2,732,245	72,903	0	70,482	0	51,728	0	0	2,927,358
Total fund balances	4,099,322	94,882	0	878,106	0	51,907	0	0	5,124,217
Total fund balances/retained earnings and other credits	4,099,322	94,882	0	878,106	138,495	51,907	7,885,572	0	13,148,284
Total liabilities, fund equity and other credits	\$ 7,435,657	\$ 165,328	\$ 16,484	\$ 1,014,120	\$ 174,597	\$ 141,978	\$ 7,885,572	\$ 506,811	\$ 17,340,547

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 JUNE 30, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTALS
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	EXPENDABLE TRUST	(MEMO) (ONLY)
REVENUES:-						
Revenue from local sources:-						
Taxes	\$ 4,179,511	\$ 0	\$ 0	\$ 101,336	\$ 0	\$ 4,280,847
Tuition	1,775					1,775
Earnings on investments	296,513	0	0	0	2,473	298,986
Extracurricular activities	0	131,987	0	0	0	131,987
Miscellaneous	13,791	13,677	0	0	6,547	34,015
Revenues for Intermediate Sources:-						
Unrestricted grants-in-aid	0	0	0	0	3,616	3,616
Revenue from state sources:-						
Unrestricted grants-in-aid	4,590,191	3,648	0	12,654	0	4,606,493
Restricted grants-in-aid	0	100,413	0	190,688	0	291,101
Revenue from federal sources:-						
Restricted grants-in-aid	0	237,786	0	0	0	237,786
Total revenue	<u>9,081,781</u>	<u>487,511</u>	<u>0</u>	<u>304,678</u>	<u>12,636</u>	<u>9,886,606</u>
EXPENDITURES:-						
Instruction:-						
Regular instruction	3,463,026	148,281	0	101,382	0	3,712,689
Special instruction	539,338	215,487	0	0	0	754,825
Vocational instruction	339,584	0	0	230	0	339,814
Other Instruction	182,429	0	0	0	0	182,429
Supporting services:-						
Supporting services - pupils	214,088	27,762	0	0	0	241,850
Supporting services - inst. staff	221,477	76,163	0	0	0	297,640
Supporting services - Board of Ed.	70,313	0	0	0	0	70,313
Supporting services - Administration	880,732	3,311	0	6,912	9,686	900,641
Fiscal services	295,373	0	0	1,829	0	297,202
Operation & maintenance - plant	784,012	0	0	35,648	0	819,660
Supporting services - pupil trans.	599,216	0	0	0	0	599,216
Supporting services - central	2,483	20,173	0	0	0	22,656
Operation of non-instructional services:-						
Food service operation	0	(31)	0	0	0	(31)
Community services	0	12,070	0	0	0	12,070
Extracurricular activities:-						
Academic & subject oriented	15,239	3,110	0	0	0	18,349
Occupation oriented activities	0	1,920	0	0	0	1,920
Sports oriented	105,000	73,184	0	0	0	178,184
Co-curricular activities	2,139	0	0	0	0	2,139
Capital outlay:-						
Building improvement	2,408	4,004	0	60,641	0	67,053
Other facility acquisition & const.	43,400	0	0	210,011	0	253,411
Total expenditures	<u>7,760,257</u>	<u>585,434</u>	<u>0</u>	<u>416,653</u>	<u>9,686</u>	<u>8,772,030</u>
Excess (deficiency) of revenues over (under) expenditures	1,321,524	(97,923)	0	(111,975)	2,950	1,114,576
Other financing sources and uses:-						
Sales & loss of assets	313	0	0	0	0	313
Transfers-in	0	0	0	300,000	0	300,000
Advances-in	13,505	0	0	0	0	13,505
Transfers-out	(350,000)	0	0	0	0	(350,000)
Advances-out	0	(1,666)	0	(11,060)	(778)	(13,504)
Net other financial sources and uses	<u>(336,182)</u>	<u>(1,666)</u>	<u>0</u>	<u>288,940</u>	<u>(778)</u>	<u>(49,686)</u>
Excess (deficiency) of revenue receipts and other sources over (under) expenditure disbursement and other uses	985,342	(99,589)	0	176,965	2,172	1,064,890
Beginning fund balance	<u>3,113,980</u>	<u>194,471</u>	<u>0</u>	<u>701,141</u>	<u>49,735</u>	<u>4,059,327</u>
Ending fund balance	<u>\$ 4,099,322</u>	<u>\$ 94,882</u>	<u>\$ 0</u>	<u>\$ 878,106</u>	<u>\$ 51,907</u>	<u>\$ 5,124,217</u>

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 JUNE 30, 2000

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:-						
Taxes	\$ 3,799,181	\$ 3,949,104	\$ 149,923	\$ 0	\$ 0	\$ 0
Tuition	0	1,775	1,775	0	0	0
Earnings on investment	100,000	296,513	196,513	0	0	0
Extracurricular activities	0	0	0	130,000	132,222	2,222
Miscellaneous	35,000	13,791	(21,209)	35,000	13,677	(21,323)
Local unrestricted grants-in-aid	0	0	0	0	0	0
State unrestricted grants-in-aid	3,912,765	4,590,141	677,376	0	3,648	3,648
State restricted grants-in aid	0	0	0	80,000	85,398	5,398
Federal restricted grants-in aid	0	0	0	262,525	213,751	(48,774)
Total revenue	<u>7,846,946</u>	<u>8,851,324</u>	<u>1,004,378</u>	<u>507,525</u>	<u>448,696</u>	<u>(58,829)</u>
EXPENDITURES:-						
Regular instruction	3,746,572	3,746,500	72	162,717	161,975	742
Special instruction	518,616	518,616	0	267,029	194,116	72,913
Vocational instruction	349,449	349,449	0	0	0	0
Other instruction	191,577	191,577	0	0	0	0
Support services - pupils	205,982	205,982	0	36,724	29,333	7,391
Support services - instructional staff	238,039	235,263	2,776	111,874	92,750	19,124
Support services - Board of Ed.	110,964	110,964	0	0	0	0
Support services - Administration	1,022,907	1,022,907	0	3,311	3,311	0
Fiscal services	347,178	347,178	0	0	0	0
Operation & maintenance - plant	1,149,504	1,149,504	0	0	0	0
Support services - transportation	705,061	705,061	0	0	0	0
Support services - central	2,480	2,480	0	26,223	22,773	3,450
Food services and community oper.	0	0	0	13,077	12,193	884
Academic & subject oriented	15,799	15,799	0	3,462	3,210	252
Occupation oriented activities	0	0	0	1,920	1,920	0
Sports oriented activity	106,899	106,899	0	83,034	83,034	0
Co-curricular activities	2,070	2,070	0	0	0	0
Building improvement	2,996	2,996	0	0	0	0
Facilities acquisition & construction	167,950	167,950	0	0	0	0
Total expenditures	<u>8,884,043</u>	<u>8,881,195</u>	<u>2,848</u>	<u>709,371</u>	<u>604,615</u>	<u>104,756</u>
Excess of revenues over (under) expenditures	(1,037,097)	(29,871)	1,007,226	(201,846)	(155,919)	45,927
OTHER FINANCING SOURCES AND USES:-						
Sales & loss of assets	0	313	313	0	0	0
Transfers-in	0	0	0	0	0	0
Advances-in	0	30,165	30,165	0	1,666	1,666
Transfers-out	(350,000)	(350,000)	0	0	0	0
Advances-out	(13,505)	(13,505)	0	(1,728)	(1,728)	0
Total other sources (uses)	<u>(363,505)</u>	<u>(333,027)</u>	<u>30,478</u>	<u>(1,728)</u>	<u>(62)</u>	<u>1,666</u>
Excess of revenue & other financing sources over (under) expenditures and other financing uses	(1,400,602)	(362,898)	1,037,704	(203,574)	(155,981)	47,593
Beginning fund (deficit) balance	2,591,344	2,591,344	0	161,234	161,234	0
Prior year carry over encumbrances	<u>817,939</u>	<u>817,939</u>	<u>0</u>	<u>92,671</u>	<u>92,671</u>	<u>0</u>
Ending fund (deficit) balance	<u>\$ 2,008,681</u>	<u>\$ 3,046,385</u>	<u>\$ 1,037,704</u>	<u>\$ 50,331</u>	<u>\$ 97,924</u>	<u>\$ 47,593</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 JUNE 30, 2000

	DEBT SERVICE FUNDS			CAPITAL SERVICE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:-						
Taxes	\$ 0	\$ 0	\$ 0	\$ 95,000	\$ 98,715	\$ 3,715
Tuition	0	0	0	0	0	0
Earnings on investment	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local unrestricted grants-in-aid	0	0	0	0	0	0
State unrestricted grants-in-aid	0	0	0	12,000	12,654	654
State restricted grants-in aid	0	0	0	255,260	205,703	(49,557)
Federal restricted grants-in aid	0	0	0	0	0	0
Total revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>362,260</u>	<u>317,072</u>	<u>(45,188)</u>
EXPENDITURES:-						
Regular instruction	0	0	0	178,179	120,692	57,487
Special instruction	0	0	0	0	0	0
Vocational instruction	0	0	0	1,185	230	955
Other instruction	0	0	0	0	0	0
Support services - pupils	0	0	0	0	0	0
Support services - instructional staff	0	0	0	0	0	0
Support services - Board of Ed.	0	0	0	0	0	0
Support services - Administration	0	0	0	9,271	8,790	481
Fiscal services	0	0	0	1,815	1,815	0
Operation & maintenance - plant	0	0	0	35,648	35,648	0
Support services - transportation	0	0	0	0	0	0
Support services - central	0	0	0	0	0	0
Food services and community oper.	0	0	0	0	0	0
Academic & subject oriented	0	0	0	0	0	0
Occupation oriented activities	0	0	0	0	0	0
Sports oriented activity	0	0	0	0	0	0
Co-curricular activities	0	0	0	0	0	0
Building improvement	0	0	0	118,348	66,502	51,846
Facilities acquisition & construction	0	0	0	999,600	999,600	0
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,344,046</u>	<u>1,233,277</u>	<u>110,769</u>
Excess of revenues over (under) expenditures	0	0	0	(981,786)	(916,205)	65,581
OTHER FINANCING SOURCES AND USES:-						
Sales & loss of assets	0	0	0	0	0	0
Transfers-in	0	0	0	300,000	300,000	0
Advances-in	0	0	0	0	11,060	11,060
Transfers-out	0	0	0	0	0	0
Advances-out	0	0	0	(20,927)	(20,927)	0
Total other sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>279,073</u>	<u>290,133</u>	<u>11,060</u>
Excess of revenue & other financing sources over (under) expenditures and other financing uses	0	0	0	(702,713)	(626,072)	76,641
Beginning fund (deficit) balance	0	0	0	656,840	656,840	0
Prior year carry over encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,074</u>	<u>70,074</u>	<u>0</u>
Ending fund (deficit) balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,201</u>	<u>\$ 100,842</u>	<u>\$ 76,641</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 JUNE 30, 2000

	EXPENDABLE TRUST FUNDS			TOTALS (MEMO ONLY)		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:-						
Taxes	\$ 0	\$ 0	\$ 0	\$ 3,894,181	\$ 4,047,819	\$ 153,638
Tuition	0	0	0	0	1,775	1,775
Earnings on investment	2,000	2,473	473	102,000	298,986	196,986
Extracurricular activities	0	0	0	130,000	132,222	2,222
Miscellaneous	5,133	6,547	1,414	75,133	34,015	(41,118)
Local unrestricted grants-in-aid	3,000	3,616	616	0	3,616	3,616
State unrestricted grants-in-aid	0	0	0	3,924,765	4,606,443	681,678
State restricted grants-in aid	0	0	0	335,260	291,101	(44,159)
Federal restricted grants-in aid	0	0	0	262,525	213,751	(48,774)
Total revenue	<u>10,133</u>	<u>12,636</u>	<u>2,503</u>	<u>8,723,864</u>	<u>9,629,728</u>	<u>905,864</u>
EXPENDITURES:-						
Regular instruction	0	0	0	4,087,468	4,029,167	58,301
Special instruction	0	0	0	785,645	712,732	72,913
Vocational instruction	0	0	0	350,634	349,679	955
Other instruction	0	0	0	191,577	191,577	0
Support services - pupils	0	0	0	242,706	235,315	7,391
Support services - instructional staff	235	235	0	350,148	328,248	21,900
Support services - Board of Ed.	0	0	0	110,964	110,964	0
Support services - Administration	8,687	8,687	0	1,044,176	1,043,695	481
Fiscal services	0	0	0	348,993	348,993	0
Operation & maintenance - plant	0	0	0	1,185,152	1,185,152	0
Support services - transportation	0	0	0	705,061	705,061	0
Support services - central	0	0	0	28,703	25,253	3,450
Food services and community oper.	0	0	0	13,077	12,193	884
Academic & subject oriented	1,179	1,179	0	20,440	20,188	252
Occupation oriented activities	0	0	0	1,920	1,920	0
Sports oriented activity	0	0	0	189,933	189,933	0
Co-curricular activities	0	0	0	2,070	2,070	0
Building improvement	0	0	0	121,344	69,498	51,846
Facilities acquisition & construction	0	0	0	1,167,550	1,167,550	0
Total expenditures	<u>10,101</u>	<u>10,101</u>	<u>0</u>	<u>10,947,561</u>	<u>10,729,188</u>	<u>218,373</u>
Excess of revenues over (under) expenditures	32	2,535	2,503	(2,223,697)	(1,099,460)	1,124,237
OTHER FINANCING SOURCES AND USES:-						
Sales & loss of assets	0	0	0	0	313	313
Transfers-in	0	0	0	300,000	300,000	0
Advances-in	0	778	778	0	43,669	43,669
Transfers-out	0	0	0	(350,000)	(350,000)	0
Advances-out	(1,279)	(1,279)	0	(37,439)	(37,439)	0
Total other sources (uses)	<u>(1,279)</u>	<u>(501)</u>	<u>778</u>	<u>(87,439)</u>	<u>(43,457)</u>	<u>43,982</u>
Excess of revenue & other financing sources over (under) expenditures and other financing uses	(1,247)	2,034	3,281	(2,311,136)	(1,142,917)	1,168,219
Beginning fund (deficit) balance	51,014	51,014	0	3,460,432	3,460,432	0
Prior year carry over encumbrances	<u>235</u>	<u>235</u>	<u>0</u>	<u>980,919</u>	<u>980,919</u>	<u>0</u>
Ending fund (deficit) balance	<u>\$ 50,002</u>	<u>\$ 53,283</u>	<u>\$ 3,281</u>	<u>\$ 2,130,215</u>	<u>\$ 3,298,434</u>	<u>\$ 1,168,219</u>

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2000

	ENTERPRISE FUNDS
OPERATING REVENUES:-	
Food service	\$ 300,522
Miscellaneous	32,040
Total operating revenue	332,562
OPERATING EXPENSES:-	
Personal services - salary	147,294
Employee benefits	54,747
Purchased services	6,419
Supplies and materials	251,137
Depreciation	2,102
Other expenses	917
Total operating expenses	462,616
Operating loss	(130,054)
NON-OPERATING REVENUES:-	
Earnings on investments	6,310
State unrestricted grants-in-aid	3,499
Federal unrestricted grants-in-aid	71,951
Federal restricted grants-in-aid	61,472
Total non-operating revenue	143,232
NET-OPERATING EXPENSES:-	
Loss on disposal of assets	1,312
Total non-operating expenses	1,312
Net income before operating transfers	11,866
Transfers in	50,000
Net income	61,866
Beginning retained earnings	76,629
Retained earnings at end of year	\$ 138,495

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2000

	<u>ENTERPRISE FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:-	
Operating (loss)	\$ (130,054)
Adjustments to reconcile operating (loss) to net cash provided by operating activities;--	
Depreciation	2,102
Net (increase) decrease in assets;--	
Accounts receivable	4,853
Inventory	1,631
Net increase (decrease) in liabilities;--	
Interfund payable	(3,629)
Due to other funds	(91)
Intergovernmental payable	(7,119)
Accounts payable	(23,058)
Accrued wages and benefits	963
Deferred revenue	(1,338)
Compensated absences	(508)
Net adjustments	<u>(26,194)</u>
Net cash used in operating activities	(156,248)
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:-	
Operating grants from state sources	3,499
Operating grants from federal sources	133,423
Earnings on investments	6,310
Transfers-in	50,000
Net cash provided by non-capital financing sources	<u>193,232</u>
CASH FLOWS FROM CAPITAL FINANCING SOURCES:-	
Acquisition of capital assets	(19,934)
Net cash provided by capital financing sources	<u>(19,934)</u>
Net increase in cash & cash equivalents	17,050
Cash and cash equivalents at beginning of year	<u>36,623</u>
Cash and cash equivalents at end of year	<u>\$ 53,673</u>

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

The financial statements of the North Union Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Union Local School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the district.

Average daily membership (ADM) as of October 1, 1999, was 1,425. The District employed 101 certified employees and 65 classified employees. The District is supervised by the Delaware/Union County Board of Education, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the board of education is financially accountable.

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

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

Proprietary Fund Types

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

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

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District does not have any internal service funds at June 30, 2000.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund types are:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District does not have any nonexpendable trust funds at June 30, 2000.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds (i.e., governmental funds only) because they do not affect expendable available financial resources. The following are the District's account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Obligations Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for all Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, entitlements, and accounts (student fees and rent).

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000; which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable.

D. Budget and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendments through the year with the legal restriction, that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated, the primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations with functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

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

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments". During the fiscal year all investments were limited to certificates of deposit, STAR Ohio and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999-00. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund and Trust Funds during the fiscal year amounted to \$305,296.

F. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Funding Program

Capital Projects

School Net Funding
Vocational Education Equipment Assistance Program
Technology Equity Funding
Power Up Technology
Emergency School Building Repair Funding

Special Revenue Funds

Education Management Information Systems

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Non-Reimbursable Grants

- Post Secondary Vocational Education
- School Improvement Models
- Early Childhood Education Program
- Textbook/Instructional Subsidy
- Data Communication Grant
- Technology Equity Grant
- Job Training Partnership Act
- NDEA Title III
- Title VI-B
- Title I
- Title II
- Title VI-R
- Drug Free Schools
- Preschool Disabilities
- Miscellaneous Federal Grants

Reimbursable Grants

General Fund

- Driver Education Reimbursement
- School Bus Reimbursement

Special Revenue Funds

- Young Farmers

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 51% of the School District's operating revenue during the 2000 fiscal year.

J. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and Payables are classified as "due from other funds" or "due to other funds". Short-term Interfund loans are classified as "interfund receivables/payables". At June 30, 2000, the District had \$13,504 in interfund receivables/payables and \$648 in due to/due from other funds.

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 2000.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

L. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16.

Sick leave and other compensated absences with similar characteristics should be accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation time when earned. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

In proprietary funds, compensated absences are expenses when earned. The entire amount of compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2000, the District had no contributed capital.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

Q. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization and property taxes.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

R. Memorandum Only - Total Columns

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

S. Estimates

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING:-

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING:- (continued)

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Funds

	Governmental Fund Types			
	General Fund	Special Revenue	Capital Projects	Trust Funds
GAAP Basis	\$ 985,342	\$(99,589)	\$ 176,965	\$ 2,172
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(230,457)	(38,815)	12,364	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(1,120,938)	(19,181)	(816,624)	(415)
Due to Other Sources & Uses	3,155	1,604	1,193	277
Budget Basis	<u>\$ (362,898)</u>	<u>\$(155,981)</u>	<u>\$ (626,072)</u>	<u>\$ 2,034</u>

NOTE 3 - LEGAL COMPLIANCE-BUDGETS:-

Pursuant to Section 117.11(A) of the Revised Code, our auditor performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The auditor's recommendations and citations are included in a separate report.

NOTE 4 - CASH AND INVESTMENTS:-

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 4 - CASH AND INVESTMENTS:- (continued)

Protection of the 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 4 - CASH AND INVESTMENTS:- (continued)

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

Deposits - At year end, the carrying amount of the District's deposits was \$(53,863) and the bank balance was \$82,270. The entire amount of the bank balance was covered by federal depository insurance.

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

	Category			Carrying Amount	Fair Value
	1	2	3		
Now Account	\$ 0	\$ 82,270	\$ 0	\$ 82,270	\$ 82,270
STAR Ohio				5,503,225	5,503,225
Total Investments				<u>\$ 5,585,495</u>	<u>\$ 5,585,495</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No.9 Restricted Assets	\$ 5,515,173	0
Investments:		
STAR Ohio	(5,503,225)	\$ 5,503,225
Now Account	(82,270)	82,270
Total	(70,322)	5,585,495
Petty Cash	(25)	0
Cash in Segregated Account	16,484	0
Total Cash and Cash Equivalents	<u>\$ (53,863)</u>	<u>\$ 5,585,495</u>

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 5 - PROPERTY TAX AND INCOME TAX:-

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the North Union Local School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1997. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in February. If paid semi-annually, the first payment is due in February, with the remainder payable in July.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are payable annually or semi-annually with the first payment due April 30 and the remainder payable by October.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Union and Delaware County Treasurers collect property tax on behalf of the District. The Union and Delaware County Auditors remit to the North Union Local School District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and December for personal property taxes.

The full tax rate at the fiscal year ending June 30, 2000, for operations was \$34.80 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 2000 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 4,356,250
Real Property-Residential/Agricultural	83,963,250
Personal Property-General	3,429,400
Personal Property-Public Utilities	<u>10,256,240</u>
Total Assessed Value	<u>\$102,005,140</u>

Income Tax:-

The District levies a voted tax of 1.0 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employees of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distribution to the District after withholding amounts for administrative and estimated refunds. Income tax revenue is credited to the General Fund.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6 - RECEIVABLES:-

Receivables at June 30, 2000, consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Drivers Education	\$ 450
Total General Fund:	<u>\$ 450</u>
Special Revenue Funds:	
Title VI Grant Payment	\$ 658
Title VI-B Grant Payment	<u>23,376</u>
Total Special Revenue Funds:	<u>\$ 24,034</u>
Grand Total	<u>\$ 24,484</u>

NOTE 7 - DEFINED BENEFIT PENSION PLANS:-

A. School Employees Retirement System

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$167,172, \$157,848 and \$156,132, respectively; 43.48 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$111,885 representing the unpaid contribution for fiscal year 2000, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were: \$578,856, \$505,584 and \$466,200, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$96,475 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 8 - POSTEMPLOYMENT BENEFITS:-

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$330,775 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$103,525 during the 2000 fiscal year.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8 - POSTEMPLOYMENT BENEFITS:- (continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available) were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximate 51,000.

NOTE 9 - COMPENSATED ABSENCES:-

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. Only the Superintendent and twelve-month, classified employees earn ten to twenty days of vacation per year, depending upon length of service. School support personnel accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 1 Year	10 Days
5 or more Years	15 Days
10 or more Years	20 Days

The following table represents the limit placed on employee vacation time based on the years of service to the district:

Length of Service	Limit of Accrued Vacation
0 Years	10 Days
1-5 Years	20 Days
6-10 Years	25 Days
10+ Years	30 Days

Vacation Pay: A full-time employee may be paid for unused vacation days, not to exceed ten (10) days. This may be done no more than once a year, and requires the approval of the Superintendent. Payment for unused vacation time shall be made at the employee's current rate of pay. Both the Superintendent and Treasurer earn 20 days of vacation per year, and have an accrued limit of 30 days.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 9 - COMPENSATED ABSENCES:- (continued)

Service Retirement: Upon retirement, employees shall receive in one lump sum, one-fourth (1/4) of the accumulated sick leave days up to a maximum of thirty-five (35) days (i.e., one-fourth (1/4) of one hundred twenty (120) days) multiplied times the per diem rate at the time of retirement. In addition, the Board will provide the following bonus retirement pay for those long-term employees who have accumulated more than the one hundred twenty (120) days of sick leave. A bonus retirement based on years of service to North Union Local Schools will be granted as follows:

Length of Service	Bonus Days Paid
10 Years	1 Day
15 Years	2 Days
20 Years	3 Days
25 Years	4 Days
30 Years	5 Days

Retirement Incentive: For certified staff members, the Board also provides a retirement incentive in addition to other severance payments. Retirement incentives will be granted to those retiring certified staff members 55 years of age or older, based on the following schedule:

End of Service Year	Amount
25 th or 30 th	\$ 5,000
26 th or 31 st	3,000
27 th or 32 nd	1,000

NOTE 10. INTERFUND TRANSACTIONS:-

At June 30, 2000, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

	Receivables	Payables
General Fund	\$ 13,504	\$ 0
Special Revenue Funds	0	1,666
Capital Projects Funds		11,060
Agency Funds	<u>0</u>	<u>778</u>
	<u>\$ 13,504</u>	<u>\$ 13,504</u>
	Due From	Due To
General Fund	\$ 0	\$ 607
Special Revenue Funds	0	23
Enterprise Funds	0	18
Agency Funds	<u>648</u>	<u>0</u>
	<u>\$ 648</u>	<u>\$ 648</u>

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 11 – CONTINGENCIES:-

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

NOTE 12 - GENERAL LONG-TERM DEBT:-

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Intergovernmental Payable	\$ 71,027	\$ 84,022	\$ 71,027	\$ 84,022
Compensated Absences Payable	<u>441,681</u>	<u>422,789</u>	<u>441,681</u>	<u>422,789</u>
	<u>\$ 512,708</u>	<u>\$ 506,811</u>	<u>\$ 512,708</u>	<u>\$ 506,811</u>

NOTE 13- FIXED ASSETS:-

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2000

Furniture and Equipment	\$ 228,057
Less Accumulated Depreciation	(118,753)
Net Fixed Assets	<u>\$ 109,304</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000:

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Land and Improvements	\$ 309,951	\$ 0	\$ 0	\$ 309,951
Buildings	3,301,825	0	0	3,301,825
Furniture and Equipment	2,978,406	212,820	76,603	3,114,623
Vehicles	<u>896,575</u>	<u>268,598</u>	<u>6,000</u>	<u>1,159,173</u>
Total General Fixed Assets	<u>\$ 7,486,757</u>	<u>\$ 481,418</u>	<u>\$ 82,603</u>	<u>\$ 7,885,572</u>

There was no significant construction in progress at June 30, 2000.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 14 - RISK MANAGEMENT:-

General Liability:

The 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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$20,000 for employee liability which includes each board member, the district superintendent, and the district treasurer. Additionally, the district has commercial crime coverage of \$10,000.

The District maintains replacement cost insurance on buildings and contents in the amount \$19,624,320. Other property insurance includes \$107,433 for musical instrument, and related equipment and accessories.

Workers Compensation:

The District participates in the Workers' Compensation Program provided by the State of Ohio. The District participates in a Workers' Compensation pool through the Ohio School Board Association for rating program.

Health Insurance:

The District has established limited risk health, dental, and life insurance programs for its employees. The District is a member of the Champaign, Delaware, Marion, and Union County Insurance Consortium.

CORE Source, a third party administrator, services all claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$100,000 and aggregate claims in excess of \$4,292,738.

NOTE 15- JOINTLY GOVERNED ORGANIZATIONS:-

Metropolitan Education Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. North Union School District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer service to the District.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 16 - SEGMENTS OF ENTERPRISE ACTIVITIES:-

Key financial data for the District's Enterprise Funds for the year ended June 30, 2000 are as follows:

	Lunchroom Fund	Uniform Supply Fund	Adult Learning Funds	School Age Child Fund	Total
Operating Revenues	\$ 309,424	\$ 0	\$ 0	\$ 23,138	\$ 332,562
Operating Expenses:					
Depreciation	(2,102)	0	0	0	(2,102)
Other Expenses	(435,677)	0	0	(24,837)	(460,514)
Total Operating Expenses	<u>(437,779)</u>	<u>0</u>	<u>0</u>	<u>(24,837)</u>	<u>(462,616)</u>
Operating Income (Loss)	(128,355)	0	0	(1,699)	(130,054)
Non Operating Revenues and Expenses:					
Grants	136,922	0	0	0	136,922
Transfers in	50,000	0	0	0	50,000
Disposal of assets	(1,312)	0	0	0	(1,312)
Miscellaneous	6,310	0	0	0	6,310
Net Income (Loss)	<u>\$ 63,565</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,669)</u>	<u>\$ 61,866</u>
Net Working Capital	<u>\$ 7,834</u>	<u>\$ 8,039</u>	<u>\$ 207</u>	<u>\$ 13,110</u>	<u>\$ 29,190</u>
Fixed Asset Additions	\$ 19,934	\$ 0	\$ 0	\$ 0	\$ 19,934
Total Assets	<u>\$ 152,749</u>	<u>\$ 8,039</u>	<u>207</u>	<u>\$ 13,602</u>	<u>\$ 174,597</u>
Total Fund Equity	<u>\$ 117,138</u>	<u>\$ 8,039</u>	<u>\$ 207</u>	<u>\$ 13,111</u>	<u>\$ 138,495</u>

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 17- SCHOOL FUNDING DECISION:-

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,263,719 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000 the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "... the mandate of the (Ohio) Constitution has not been fulfilled." The court's , majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTE 18 – Fund Deficits

Fund balances and retained earnings at June 30, 2000, included the following individual deficits:

Title VI-B grant \$ (9,104)

The special revenue fund deficits are due primarily to the adjustments for accrued liabilities. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 19 – STATUTORY RESERVES:-

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$ 112,936	\$ 112,936
Current year set-aside requirement	240,921	240,921	80,307	562,149
Current year offsets	0	0	0	0
Qualifying disbursements	<u>(223,834)</u>	<u>(763,694)</u>	<u>0</u>	<u>(987,528)</u>
Total	<u>\$ 17,087</u>	<u>\$(522,773)</u>	<u>\$ 193,243</u>	<u>\$(312,443)</u>
Cash balance carried forward to FY 2001	<u>\$ 17,087</u>	<u>\$ 0</u>	<u>\$ 193,243</u>	
Amount restricted for budget stabilization				<u>\$ 193,243</u>
Amount restricted for textbook acquisition				<u>17,087</u>
Total restricted assets				<u>\$ 210,330</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirement of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NORTH UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>NON-CASH DISBURSE- MENTS</u>	<u>DISBURSE- MENTS</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:-</u>					
Pass-Through Ohio Department of Education Nutrition Cluster; Food Distribution Program	10.550	\$ 0	\$ 60,134	\$ 0	\$ 61,032
National School Lunch Program	10.555	<u>71,951</u>	<u>0</u>	<u>71,951</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster		<u>71,951</u>	<u>60,134</u>	<u>71,951</u>	<u>61,032</u>
<u>U.S. DEPARTMENT OF EDUCATION:-</u>					
Pass-Through Ohio Department of Education					
Special Education Grants to States (IDEA Part B)	84.027	52,287	0	62,412	0
Special Education – Preschool Grant	84.173	<u>4,400</u>	<u>0</u>	<u>6,847</u>	<u>0</u>
Total Special Education Cluster		56,687	0	69,259	0
Drug Free Schools	84.186	5,782	0	6,152	0
Grants to Local Educational Agencies (ESEA Title I)	84.010	132,747	0	134,770	0
Innovative Educational Program Strategies	84.298	6,853	0	5,846	0
Eisenhower Professional Development	84.281	5,860	0	5,396	0
Goals 2000	84.276 24,953	0	99,306	0	
Class size reduction	84.340	<u>16,082</u>	<u>0</u>	<u>9,035</u>	<u>0</u>
Total Department of Education		<u>248,964</u>	<u>0</u>	<u>329,764</u>	<u>0</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:-</u>					
Learn & Serve America	94.004	<u>650</u>	<u>0</u>	<u>6,134</u>	<u>0</u>
Total Corporation for National and Community Service		<u>650</u>	<u>0</u>	<u>6,134</u>	<u>0</u>
Total Federal Assistance		\$ <u>321,565</u>	\$ <u>60,134</u>	\$ <u>407,849</u>	\$ <u>61,032</u>

The accompanying notes are an integral part of this statement.

NORTH UNION LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000

NOTE A – SIGNIFICANT ACCOUNTING POLICIES:-

The accompanying Schedule of Federal Awards Receipts and Expenditures (the “Schedule”) summarizes activity of the District’s federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION:-

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule as the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
North Union Local School District
Union County
Richwood, Ohio 43344

We have audited the general-purpose financial statements of North Union Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated October 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether North Union Local School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions with laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of North Union Local School District in a separate letter dated October 30, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Union Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we also noted other matters involving the internal control over financial reporting that we have reported to the management of North Union Local School District in a separate letter dated October 30, 2000.

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

Shulbrook & Manton
Certified Public Accountants

October 30, 2000
Marion, Ohio



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
North Union Local School District
Union County
Richwood, Ohio 43344

Compliance

We have audited the compliance of North Union Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Shelburne & Manton

Certified Public Accountants

October 30, 2000
Marion, Ohio

NORTH UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under §.510	No
Major Programs (list):	Grants to Local Educational Agencies (ESEA Title I) CFDA 84.010 and Goals 2000 CFDA 84.276
Dollar Threshold: Type A\B Programs	Type A> \$300,000 Type B: all others
Low Risk Auditee?	No

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

NORTH UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2000

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED	EXPLANATION
99-001	Payroll bank Reconciliation	Yes	Payroll bank reconciliations are prepared by Treasurer.
99-002	Y2K	Yes	Systems appear not to have been affected by Y2K issues.



STATE OF OHIO
OFFICE OF THE AUDITOR

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NORTH UNION LOCAL SCHOOL DISTRICT

UNION 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
FEBRUARY 20, 2001**