



Dave Yost • Auditor of State



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio, as of June 30, 2010, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

August 18, 2011

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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The discussion and analysis of the Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

***Financial Highlights***

Key financial highlights for 2010 are as follows:

- General revenues accounted for \$13,552,460 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants, contributions, and interest accounted for \$3,332,330 or 20 percent of total revenues of \$16,884,790.
- Total program expenses were \$17,455,739.
- In total, net assets decreased by \$570,949.

***Using this Annual Financial Report***

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Union Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column.

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

*Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The *Statement of Net Assets - Cash Basis* and the *Statement of Activities - Cash Basis* answer this question.

These two statements report the District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non-instructional services, i.e., food service operations.

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

*Fund Financial Statements*

The analysis of the District's major funds begins on page 8. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Building Maintenance Fund and the Classroom Facilities Fund.

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

***Reporting the School District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets – Cash Basis and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***The School District as a Whole***

Recall the Statement of Net Assets – Cash Basis provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2010 compared to 2009:



**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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**(Table 1)**  
**Net Assets**  
**Governmental Activities**

|                          | <u>2010</u>         | <u>2009</u>         | <u>Change</u>       |
|--------------------------|---------------------|---------------------|---------------------|
| <b>Assets</b>            |                     |                     |                     |
| Current and Other Assets | <u>\$ 1,079,528</u> | <u>\$ 1,650,477</u> | <u>\$ (570,949)</u> |
| <br>                     |                     |                     |                     |
| <b>Net Assets</b>        |                     |                     |                     |
| Restricted               | 1,558,013           | 1,694,856           | (136,843)           |
| Unrestricted (Deficit)   | <u>(478,485)</u>    | <u>(44,379)</u>     | <u>(434,106)</u>    |
| Total Net Assets         | <u>\$ 1,079,528</u> | <u>\$ 1,650,477</u> | <u>\$ (570,949)</u> |

The above table reflects a decrease in net assets of \$570,949 primarily due to a decrease in cash and cash equivalents resulting from the District's spending exceeding resources.

Table 2 shows the changes in net assets for fiscal year ended June 30, 2010. Since this is the first year Union Local School District has prepared financial statements following GASB Statement 34 under the cash method, receipt and disbursement comparisons to fiscal year 2009 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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

|  |              |
|--|--------------|
| <i>Program Revenues</i>                          |              |
| Charges for Services and Sales                   | 1,055,440    |
| Operating Grants, Contributions and Interest     | 2,261,132    |
| Capital Grants, Contributions and Interest       | 15,758       |
| <i>General Revenues</i>                          |              |
| Property Taxes                                   | 2,794,618    |
| Grants and Entitlements                          | 10,245,597   |
| Other  | 512,245      |
| <i>Total Revenues</i>                            | 16,884,790   |
| <b>Program Expenses</b>                          |              |
| Instruction                                      | 9,312,558    |
| Support Services:                                |              |
| Pupils and Instructional Staff                   | 1,332,994    |
| Board of Education, Administration<br>and Fiscal | 1,354,170    |
| Operation and Maintenance of Plant               | 3,383,987    |
| Pupil Transportation                             | 654,476      |
| Central  | 18,824       |
| Operation of Non-instructional Services          |              |
| Food Service Operations                          | 495,444      |
| Community Services                               | 0            |
| Other  | 21,352       |
| Extracurricular Activities                       | 336,548      |
| Principal Retirement                             | 443,000      |
| Interest and Fiscal Charges                      | 102,386      |
| <i>Total Expenses</i>                            | 17,455,739   |
| <i>Change in Net Assets</i>                      | (570,949)    |
| <i>Net Assets, Beginning of Year</i>             | 1,650,477    |
| <i>Net Assets, End of Year</i>                   | \$ 1,079,528 |

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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***Governmental Activities***

Several revenue sources fund the District's governmental activities with intergovernmental revenue in the form of operating and capital grants and contributions and unrestricted grants and entitlements being the largest contributor. Intergovernmental revenue generated \$12,482,427 in 2010. Property tax levies generated \$2,794,618 in 2010.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2009 have not been made since they are not available.

**(Table 3)**  
**Total and Net Cost of Program Expenses**  
**Governmental Activities**

|   | Total Cost<br>of Service<br>2010 | Net Cost<br>of Service<br>2010 |
|---|----------------------------------|--------------------------------|
| Instruction   | \$ 9,312,558                     | \$ (7,014,926)                 |
| Support Services:   |                                  |                                |
| Pupil and Instructional Staff                             | 1,332,994                        | (1,009,684)                    |
| Board of Education, Administration,<br>Fiscal and Central | 1,372,994                        | (1,242,226)                    |
| Operation and Maintenance of Plant                        | 3,383,987                        | (3,329,403)                    |
| Pupil Transportation                                      | 654,476                          | (654,476)                      |
| Food Service Operations                                   | 495,444                          | (99,167)                       |
| Community Services  | -                                | -                              |
| Other   | 21,352                           | (21,352)                       |
| Extracurricular Activities                                | 336,548                          | (206,789)                      |
| Principal Retirement                                      | 443,000                          | (443,000)                      |
| Interest and Fiscal Charges                               | 102,386                          | (102,386)                      |
| Total Expenses  | \$ 17,455,739                    | \$ (14,123,409)                |

Instruction and student support services comprise 61 percent of governmental program expenses. Other support services such as board of education, administration, fiscal and central were 8 percent of governmental program expenses. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the District. Principal Retirement and interest and fiscal charges were 3 percent. Interest expense was attributable to the outstanding bonds. Pupil transportation and the operation and maintenance of facilities accounts for 23 percent of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations and community services comprises 3 percent of governmental program expenses. Extracurricular activities comprise 2 percent of total expenses.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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***The School District's Funds***

Information about the District's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. All governmental funds had total revenues including other financing sources of \$16,884,790 and expenditures including other financing uses of \$17,455,739.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2010, the District modified its General Fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue, including other financing sources, was \$266,573 higher than the original budget estimates of \$11,786,967.

Final appropriations were \$24,792 higher than the original budget estimates of \$12,181,888.

***Debt Administration***

At June 30, 2010, the District had \$2,084,995 in bonds outstanding with \$210,000 due within one year. See note 11 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

|  | Governmental<br>Activities<br>2010 | Governmental<br>Activities<br>2009 |
|--|------------------------------------|------------------------------------|
| 1997 General Obligation Bonds                      | \$ 570,000                         | \$ 730,000                         |
| 2007 School Improvement Refunding Bonds            | 1,250,000                          | 1,280,000                          |
| 2007 School Improvement Capital Appreciation Bonds | 264,995                            | 264,995                            |
| Total  | \$ 2,084,995                       | \$ 2,274,995                       |

***Current Issues***

The District is currently financially unstable. As the preceding information shows, the District relies heavily on state funding as well as its local property taxpayers. The District has not passed an operating levy since 1976 and the District no longer has a permanent improvement levy to cover purchase of buses, textbooks, and technology. Steps have been taken to stabilize the general fund through attrition of retiring employees, and overall reduction of expenditures.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shawn Miller, Treasurer/CFO at Union Local School District, P.O. Box 300, Morristown, Ohio 43759.

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**Union Local School District**  
*Statement of Net Assets - Cash Basis*  
*June 30, 2010*

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                              |                            |
| Equity in Pooled Cash and Cash Equivalents | \$1,079,528                |
| <b>Net Assets</b>                          |                            |
| Restricted for:                            |                            |
| Capital Projects                           | \$450,980                  |
| Debt Service                               | 730,912                    |
| Textbooks                                  | 146,928                    |
| Other Purposes                             | 229,193                    |
| Unrestricted                               | (478,485)                  |
| <i>Total Net Assets</i>                    | <i>\$1,079,528</i>         |

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2010

|   | Program Cash Receipts |                         |  |  | Net (Disbursements)                      |
|---|-----------------------|-------------------------|--|--|--|
|   | Cash<br>Disbursements | Charges for<br>Services | Operating Grants,<br>Contributions<br>and Interest | Capital<br>Grants and<br>Contributions | Receipts and<br>Changes in<br>Net Assets |
|   |                       |                         |  |  | Governmental<br>Activities               |
| <b>Governmental Activities</b>                              |                       |                         |  |  |  |
| Instruction:  |                       |                         |  |  |  |
| Regular   | \$6,810,814           | \$796,425               | \$633,498  | \$0                                    | (\$5,380,891)                            |
| Special   | 1,841,024             | 37,337                  | 570,502  | 0                                      | (1,233,185)                              |
| Vocational  | 384,023               | 0                       | 98,542   | 0                                      | (285,481)                                |
| Student Intervention Services                               | 276,697               | 0                       | 0  | 0                                      | (276,697)                                |
| Other   | 0                     | 0                       | 161,328  | 0                                      | 161,328                                  |
| Support Services:   |                       |                         |  |  |  |
| Pupils  | 709,048               | 0                       | 214,727  | 0                                      | (494,321)                                |
| Instructional Staff   | 623,946               | 0                       | 108,583  | 0                                      | (515,363)                                |
| Board of Education  | 70,450                | 0                       | 0  | 0                                      | (70,450)                                 |
| Administration  | 952,504               | 0                       | 125,768  | 0                                      | (826,736)                                |
| Fiscal  | 331,216               | 0                       | 0  | 0                                      | (331,216)                                |
| Operation and Maintenance of Plant                          | 3,383,987             | 0                       | 38,826   | 15,758                                 | (3,329,403)                              |
| Pupil Transportation  | 654,476               | 0                       | 0  | 0                                      | (654,476)                                |
| Central   | 18,824                | 0                       | 5,000  | 0                                      | (13,824)                                 |
| Non-Instructional Services:                                 |                       |                         |  |  |  |
| Food Service Operations                                     | 495,444               | 119,967                 | 276,310  | 0                                      | (99,167)                                 |
| Other   | 21,352                | 0                       | 0  | 0                                      | (21,352)                                 |
| Extracurricular Activities                                  | 336,548               | 101,712                 | 28,047   | 0                                      | (206,789)                                |
| Principal Retirement  | 443,000               | 0                       | 0  | 0                                      | (443,000)                                |
| Interest and Fiscal Charges                                 | 102,386               | 0                       | 0  | 0                                      | (102,386)                                |
| <i>Totals</i>   | <u>\$17,455,739</u>   | <u>\$1,055,441</u>      | <u>\$2,261,131</u>                                 | <u>\$15,758</u>                        | <u>(14,123,409)</u>                      |
| <b>General Receipts</b>                                     |                       |                         |  |  |  |
| Property Taxes Levied for:                                  |                       |                         |  |  |  |
| General Purposes  |                       |                         |  |  | 2,486,753                                |
| Debt Service  |                       |                         |  |  | 261,996                                  |
| Capital Outlay  |                       |                         |  |  | 45,869                                   |
| Grants and Entitlements not Restricted to Specific Programs |                       |                         |  |  | 10,245,597                               |
| Investment Earnings   |                       |                         |  |  | 10,963                                   |
| Receipts from Sale of Capital Assets                        |                       |                         |  |  | 425,000                                  |
| Miscellaneous   |                       |                         |  |  | 76,282                                   |
| <i>Total General Receipts</i>                               |                       |                         |  |  | <u>13,552,460</u>                        |
| <i>Change in Net Assets</i>                                 |                       |                         |  |  | (570,949)                                |
| <i>Net Assets Beginning of Year</i>                         |                       |                         |  |  | <u>1,650,477</u>                         |
| <i>Net Assets End of Year</i>                               |                       |                         |  |  | <u><u>\$1,079,528</u></u>                |

See accompanying notes to the financial statements



**Union Local School District**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2010*

|  | General            | Bond<br>Retirement | Building<br>Maintenance | Classroom<br>Facilities | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|--------------------|-------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                    |                    |                         |                         |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | (\$188,596)        | \$730,912          | \$119,712               | \$331,268               | \$86,232                       | \$1,079,528                    |
| <i>Total Assets</i>                        | <u>(\$188,596)</u> | <u>\$730,912</u>   | <u>\$119,712</u>        | <u>\$331,268</u>        | <u>\$86,232</u>                | <u>\$1,079,528</u>             |
| <b>Fund Balances</b>                       |                    |                    |                         |                         |                                |                                |
| Reserved for Encumbrances                  | \$63,260           | \$0                | \$0                     | \$117,205               | \$29,738                       | \$210,203                      |
| Reserved for Textbooks                     | 146,928            | 0                  | 0                       | 0                       | 0                              | 146,928                        |
| Unreserved:                                |                    |                    |                         |                         |                                |                                |
| Undesignated, Reported in:                 |                    |                    |                         |                         |                                |                                |
| General Fund                               | (398,784)          | 0                  | 0                       | 0                       | 0                              | (398,784)                      |
| Special Revenue Funds                      | 0                  | 0                  | 0                       | 0                       | 56,494                         | 56,494                         |
| Debt Service Fund                          | 0                  | 730,912            | 0                       | 0                       | 0                              | 730,912                        |
| Capital Projects Funds                     | 0                  | 0                  | 119,712                 | 214,063                 | 0                              | 333,775                        |
| <i>Total Fund Balances</i>                 | <u>(\$188,596)</u> | <u>\$730,912</u>   | <u>\$119,712</u>        | <u>\$331,268</u>        | <u>\$86,232</u>                | <u>\$1,079,528</u>             |

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

|   | General                   | Bond<br>Retirement      | Building<br>Maintenance | Classroom<br>Facilities | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                             |                           |                         |                         |                         |                                |                                |
| Taxes                                       | \$2,486,753               | \$261,996               | \$0                     | \$0                     | \$45,869                       | \$2,794,618                    |
| Intergovernmental                           | 8,319,669                 | 42,391                  | 0                       | 2,004,016               | 2,116,351                      | 12,482,427                     |
| Interest                                    | 10,963                    | 0                       | 920                     | 0                       | 109                            | 11,992                         |
| Charges for Services                        | 0                         | 0                       | 0                       | 0                       | 118,701                        | 118,701                        |
| Tuition and Fees                            | 828,242                   | 0                       | 0                       | 0                       | 0                              | 828,242                        |
| Extracurricular Activities                  | 0                         | 0                       | 0                       | 0                       | 101,712                        | 101,712                        |
| Gifts and Donations                         | 2,500                     | 0                       | 0                       | 0                       | 30,545                         | 33,045                         |
| Miscellaneous                               | 23,804                    | 0                       | 0                       | 0                       | 10,219                         | 34,023                         |
| <i>Total Receipts</i>                       | <u>11,671,931</u>         | <u>304,387</u>          | <u>920</u>              | <u>2,004,016</u>        | <u>2,423,506</u>               | <u>16,404,760</u>              |
| <b>Disbursements</b>                        |                           |                         |                         |                         |                                |                                |
| Current:                                    |                           |                         |                         |                         |                                |                                |
| Instruction:                                |                           |                         |                         |                         |                                |                                |
| Regular                                     | 6,142,595                 | 0                       | 0                       | 0                       | 668,219                        | 6,810,814                      |
| Special                                     | 1,319,301                 | 0                       | 0                       | 0                       | 521,723                        | 1,841,024                      |
| Vocational                                  | 377,750                   | 0                       | 0                       | 0                       | 6,273                          | 384,023                        |
| Student Intervention Services               | 99,763                    | 0                       | 0                       | 0                       | 176,934                        | 276,697                        |
| Support Services:                           |                           |                         |                         |                         |                                |                                |
| Pupils                                      | 467,598                   | 0                       | 0                       | 0                       | 241,450                        | 709,048                        |
| Instructional Staff                         | 482,247                   | 0                       | 0                       | 0                       | 141,699                        | 623,946                        |
| Board of Education                          | 70,450                    | 0                       | 0                       | 0                       | 0                              | 70,450                         |
| Administration                              | 834,833                   | 0                       | 0                       | 0                       | 117,671                        | 952,504                        |
| Fiscal                                      | 322,961                   | 7,026                   | 0                       | 0                       | 1,229                          | 331,216                        |
| Operation and Maintenance of Plant          | 1,205,701                 | 0                       | 5,960                   | 2,122,641               | 49,685                         | 3,383,987                      |
| Pupil Transportation                        | 628,892                   | 0                       | 0                       | 0                       | 25,584                         | 654,476                        |
| Central                                     | 18,824                    | 0                       | 0                       | 0                       | 0                              | 18,824                         |
| Non-Instructional Services                  |                           |                         |                         |                         |                                |                                |
| Food Service Operations                     |                           | 0                       | 0                       | 0                       | 495,444                        | 495,444                        |
| Other                                       |                           | 0                       | 0                       | 0                       | 3,766                          | 3,766                          |
| Extracurricular Activities                  | 251,420                   | 0                       | 0                       | 0                       | 85,128                         | 336,548                        |
| Debt Service:                               |                           |                         |                         |                         |                                |                                |
| Principal Retirement                        | 253,000                   | 190,000                 | 0                       | 0                       | 0                              | 443,000                        |
| Interest and Fiscal Charges                 | 12,881                    | 89,505                  | 0                       | 0                       | 0                              | 102,386                        |
| <i>Total Disbursements</i>                  | <u>12,488,216</u>         | <u>286,531</u>          | <u>5,960</u>            | <u>2,122,641</u>        | <u>2,534,805</u>               | <u>17,438,153</u>              |
| <i>Excess of Receipts Over (Under)</i>      |                           |                         |                         |                         |                                |                                |
| <i>Disbursements</i>                        | <u>(816,285)</u>          | <u>17,856</u>           | <u>(5,040)</u>          | <u>(118,625)</u>        | <u>(111,299)</u>               | <u>(1,033,393)</u>             |
| <b>Other Financing Sources (Uses)</b>       |                           |                         |                         |                         |                                |                                |
| Sale of Capital Assets                      | 425,000                   | 0                       | 0                       | 0                       | 0                              | 425,000                        |
| Refund of Prior Year Expenditures           | 55,030                    | 0                       | 0                       | 0                       | 0                              | 55,030                         |
| Refund of Prior Year Receipts               | (17,586)                  | 0                       | 0                       | 0                       | 0                              | (17,586)                       |
| <i>Total Other Financing Sources (Uses)</i> | <u>462,444</u>            | <u>0</u>                | <u>0</u>                | <u>0</u>                | <u>0</u>                       | <u>462,444</u>                 |
| <i>Net Change in Fund Balance</i>           | <u>(353,841)</u>          | <u>17,856</u>           | <u>(5,040)</u>          | <u>(118,625)</u>        | <u>(111,299)</u>               | <u>(570,949)</u>               |
| <i>Fund Balances Beginning of Year</i>      | <u>165,245</u>            | <u>713,056</u>          | <u>124,752</u>          | <u>449,893</u>          | <u>197,531</u>                 | <u>1,650,477</u>               |
| <i>Fund Balances End of Year</i>            | <u><b>(\$188,596)</b></u> | <u><b>\$730,912</b></u> | <u><b>\$119,712</b></u> | <u><b>\$331,268</b></u> | <u><b>\$86,232</b></u>         | <u><b>\$1,079,528</b></u>      |

See accompanying notes to the financial statements

**Union Local School District**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
General Fund  
For the Fiscal Year Ended June 30, 2010

|   | Budgeted Amounts   |                   | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|-------------------|--------------------|---|
|   | Original           | Final             |                    |   |
| <b>Receipts</b>                               |                    |                   |                    |   |
| Taxes   | \$2,421,800        | \$2,421,800       | \$2,486,753        | \$64,953  |
| Intergovernmental                             | 8,559,547          | 8,384,120         | 8,319,669          | (64,451)  |
| Investment Earnings                           | 12,000             | 12,000            | 10,963             | (1,037)   |
| Tuition and Fees                              | 754,770            | 771,770           | 828,242            | 56,472  |
| Gifts and Donations                           | 350                | 350               | 2,500              | 2,150   |
| Miscellaneous                                 | 8,500              | 8,500             | 23,804             | 15,304  |
| <i>Total Receipts</i>                         | <u>11,756,967</u>  | <u>11,598,540</u> | <u>11,671,931</u>  | <u>73,391</u>   |
| <b>Disbursements</b>                          |                    |                   |                    |   |
| Current:                                      |                    |                   |                    |   |
| Instruction:                                  |                    |                   |                    |   |
| Regular                                       | 5,821,824          | 5,915,046         | 6,143,225          | (228,179)   |
| Special                                       | 1,340,512          | 1,314,168         | 1,331,167          | (16,999)  |
| Vocational                                    | 373,304            | 373,304           | 381,511            | (8,207)   |
| Student Intervention Services                 | 170,041            | 117,936           | 99,763             | 18,173  |
| Support Services:                             |                    |                   |                    |   |
| Pupils  | 488,042            | 488,207           | 468,140            | 20,067  |
| Instructional Staff                           | 523,608            | 523,608           | 482,247            | 41,361  |
| Board of Education                            | 71,053             | 70,980            | 74,024             | (3,044)   |
| Administration                                | 840,143            | 840,107           | 836,700            | 3,407   |
| Fiscal  | 320,774            | 320,738           | 323,175            | (2,437)   |
| Operation and Maintenance of Plant            | 1,070,238          | 1,087,506         | 1,207,415          | (119,909)   |
| Pupil Transportation                          | 658,751            | 658,752           | 661,996            | (3,244)   |
| Central                                       | 20,200             | 20,200            | 18,824             | 1,376   |
| Site Improvements                             | 6,500              | 6,500             | 5,988              | 512   |
| Debt Service                                  | 258,500            | 258,500           | 265,881            | (7,381)   |
| Extracurricular Activities                    | 218,398            | 211,128           | 251,420            | (40,292)  |
| <i>Total Disbursements</i>                    | <u>12,181,888</u>  | <u>12,206,680</u> | <u>12,551,476</u>  | <u>(344,796)</u>  |
| <i>Excess of Receipts Under Disbursements</i> | <u>(424,921)</u>   | <u>(608,140)</u>  | <u>(879,545)</u>   | <u>(271,405)</u>  |
| <b>Other Financing Sources (Uses)</b>         |                    |                   |                    |   |
| Proceeds from Sale of Capital Assets          | 0                  | 425,000           | 425,000            | 0   |
| Refund of Prior Year Expenditures             | 30,000             | 30,000            | 55,030             | 25,030  |
| Refund of Prior Year Receipts                 | 0                  | 0                 | (17,586)           | (17,586)  |
| <i>Total Other Financing Sources (Uses)</i>   | <u>30,000</u>      | <u>455,000</u>    | <u>462,444</u>     | <u>7,444</u>  |
| <i>Net Change in Fund Balance</i>             | <u>(394,921)</u>   | <u>(153,140)</u>  | <u>(417,101)</u>   | <u>(263,961)</u>  |
| <i>Fund Balance Beginning of Year</i>         | 133,337            | 133,337           | 133,337            | 0   |
| Prior Year Encumbrances Appropriated          | 31,908             | 31,908            | 31,908             | 0   |
| <i>Fund Balance End of Year</i>               | <u>(\$229,676)</u> | <u>\$12,105</u>   | <u>(\$251,856)</u> | <u>(\$263,961)</u>                                      |

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2010*

|  | Private Purpose<br>Trust |           |
|--|--------------------------|-----------|
|  | Scholarship              | Agency    |
| <b>Assets</b>                              |                          |           |
| Equity in Pooled Cash and Cash Equivalents | \$ 9,603                 | \$ 46,592 |
| <b>Liabilities</b>                         |                          |           |
| Due to Students                            | 0                        | \$ 46,592 |
| Total Liabilities                          | 0                        | \$ 46,592 |
| <b>Net Assets</b>                          |                          |           |
| Held in Trust for Scholarships             | \$ 9,603                 |           |

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2010*

|  | Private Purpose<br>Trust |
|--|--------------------------|
|  | Scholarship              |
| <b>Additions</b>                             |                          |
| Gifts and Donations                          | \$ 9,385                 |
| <b>Deductions</b>                            |                          |
| Payments in Accordance with Trust Agreements | 11,000                   |
| <i>Change in Net Assets</i>                  | (1,615)                  |
| <i>Net Assets Beginning of Year</i>          | 11,218                   |
| <i>Net Assets End of Year</i>                | \$9,603                  |

See accompanying notes to the basic financial statements

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**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 1: Description of the School District and Reporting Entity**

The Union Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership on, or as of October 1, 2009, was 1,450. The District employs 124 certificated and 61 non-certificated employees.

The District was established in 1952 through the consolidation of the Union Township, Smith Township, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. In the fall of 1998, Union Local School District finished construction of a new high school. In the fall of 1999, construction of a new elementary school was complete, as well as the renovations to the old high school which was converted into the middle school. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont, Centerville, Bethesda, and Flushing. The District is the 357<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. Subsequent to the completion of the renovations to the high school building and new addition and construction of the new elementary school, the Flushing, Centerville, Belmont and Bethesda Elementary Buildings were turned over to the communities for one dollar. The District currently operates three instructional buildings, one administrative building and one garage.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

No separate governmental units meet the criteria for inclusion as a component unit.

The District is involved with the Belmont-Harrison Vocational School, the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan, which are defined as jointly governed organizations and an insurance purchasing pool. Additional information concerning these organizations is presented in Notes 13 and 14 to the basic financial statements.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

***A. Basis of Presentation***

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

***Government-wide Financial Statements***

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

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

***Fund Financial Statements***

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



**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***B. Fund Accounting***

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

***Governmental:*** The District classifies funds finances primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

***General Fund*** - The General Fund is the operating fund of the District and is used to account for financial resources except those required to be accounted for in another fund. The General Fund balance is available for purpose provided it is disbursed or transferred according to Ohio law.

***Bond Retirement Fund*** – The Bond Retirement Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal and interest.

***Building Maintenance Fund*** – The Building Maintenance Capital Projects Fund accounts for financial resources related to the construction and renovations of facilities of the District being financed through the Ohio School Facilities Commission and locally funded initiatives.

***Classroom Facilities Fund*** – The Classroom Facilities Capital Project Fund accounts for financial resources to be used in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of major capital facilities.

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

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

***C. Basis of Accounting***

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***D. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2010, the District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$10,963 which includes \$8,830 assigned from other District funds.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by statute to be set aside for the purchase of textbooks and other instructional materials and capital acquisitions.

***G. Inventory and Prepaid Items***

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***H. Capital Assets***

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

***I. Long-Term Obligations***

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

***J. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

***K. Net Assets***

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

***L. Fund Balance Reserves***

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances and textbooks.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 3: Fund Deficits**

Fund balances at June 30, 2010, included the following individual fund deficits:

|  | Deficit    |
|--|------------|
| General Fund                           | \$ 188,596 |
| <i>Nonmajor Special Revenue Funds:</i> |            |
| Food Service                           | 99,133     |
| Title I-School Improvement             | 16,700     |
| Title I- Delinquent                    | 18,817     |
| Title VIB-ARRA                         | 6,710      |
| IDEA B-Early Childhood                 | 60         |
| Class Size Reduction                   | 1,541      |

The deficit in the General Fund was created by the lack of unrestricted available resources to cover operations in the fund. The District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

**Note 4: Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual (Budgetary Basis) presented for the General Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

**Net Change in Fund Balance**

|              |              |
|--------------|--------------|
| Cash Basis   | \$ (188,596) |
| Encumbrances | (63,260)     |
| Budget Basis | \$ (251,856) |

**Note 5: Deposits and Investments**

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

Active monies are public deposits necessary to meet the 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.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

Interim monies to 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 or 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;
4. Bonds and any other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bank acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$947,778 of the District's bank balance of \$1,197,778 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the District to a successful claim by the FDIC.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. During 2010, the District and public depositories complied with the provisions of these statutes.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Note 6: Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2010 represents collections of calendar 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Belmont and Harrison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

The assessed values upon which the fiscal year 2010 taxes were collected are:

|   | 2009 Second-Half<br>Collections |             | 2010 First-Half<br>Collections |             |
|---|---------------------------------|-------------|--------------------------------|-------------|
|   | Amount                          | Percent     | Amount                         | Percent     |
| Agricultural/Residential<br>and Other Real Estate | \$ 119,517,360                  | 94.66%      | \$ 123,319,050                 | 94.58%      |
| Tangible Personal Property                        | -                               | 0.00%       | -                              | 0.00%       |
| Personal Public Utility                           | 6,735,900                       | 5.34%       | 7,063,350                      | 5.42%       |
| <b>Total Assessed Value</b>                       | <b>\$ 126,253,260</b>           | <b>100%</b> | <b>\$ 130,382,400</b>          | <b>100%</b> |
| <br>Tax rate per \$1000 of<br>assessed value      | <br><u>\$ 31.25</u>             |             | <br><u>\$ 30.50</u>            |             |

**Note 7: Risk Management**

**A. General Insurance**

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 contracted with the Ohio Casualty Insurance for liability insurance. The policy has a liability per occurrence limit ranging from \$15,000 to \$2,000,000 and a \$2,000,000 aggregate annual limit.

The District contracted with Ohio Casualty Insurance for property coverage. The property insurance policy is a replacement cost policy with a \$250 to \$2,500 deductible.

The District contracted with the Ohio Casualty Insurance for fleet insurance. The policy has a liability per occurrence of \$1,000,000 and deductibles/limits between \$250 and \$5,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 2010, the District participated in the Ohio School Boards Association Group Workers' Compensation Group Rating System (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 8: Pension Plans**

***A. School Employees Retirement System***

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$201,426, \$150,959 and \$146,461 respectively; 55 percent has been contributed for fiscal year 2010, 100 percent has been contributed for fiscal years 2009 and 2008.

***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.



**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$855,350, \$822,321 and \$833,946, respectively; 85 percent has been contributed for fiscal year 2010, 100 percent has been contributed for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$20,077 made by the District and \$14,341 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System/State Teachers Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 9 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$97,250, \$91,839 and \$88,304 respectively; 55 percent has been contributed for fiscal year 2010, 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal year ended June 30, 2010, 2009, and 2008 were \$11,978, \$12,455 and \$10,553, respectively; 55 percent has been contributed for fiscal year 2010, 100 percent has been contributed for fiscal years 2009 and 2008.

***B. State Teachers Retirement System***

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$65,796, \$63,255 and \$64,150, respectively; 85 percent has been contributed for fiscal year 2010, 100 percent has been contributed for fiscal years 2009 and 2008.

**Note 10 – Other Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 290 days for all certificated employees and 280 days for all non-classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 72 days for certificated employees provided such certificated staff member has been continuously employed by the District for 9 years and 70 days for classified employees provided such classified employee has been continuously employed by the District for 7 years.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

***B. Health/Life Insurance***

The District contracts with Anthem Blue Cross Blue Shield for hospitalization, prescription and major medical insurance for all employees. The District pays monthly premiums of up to \$1,427.50 for family coverage and up to \$538.84 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The District contracts with Vision Services Plan of Ohio to provide vision insurance for employees. The District also provides dental insurance to employees through Coresource. Life insurance is procured for all eligible employees with Sun Life in the amount of \$40,000 paid by the District.

**Note 11: General Long-Term Obligations**

The changes in the District's long-term obligations during fiscal year 2010 were as follows:

|   | Outstanding<br>6/30/2009 | Additions        | Reductions          | Outstanding<br>6/30/2010 | Due Within<br>One Year |
|---|--------------------------|------------------|---------------------|--------------------------|------------------------|
| <b>Governmental Activities:</b>           |                          |                  |                     |                          |                        |
| General Obligation Bonds - 1997           | \$ 730,000               | \$ 0             | \$ (160,000)        | \$ 570,000               | \$ 175,000             |
| School Improvement Refunding Bonds - 2007 |                          |                  |                     |                          |                        |
| Serial and Term Bonds                     | 1,280,000                | 0                | (30,000)            | 1,250,000                | 35,000                 |
| Capital Appreciation Bonds                | 264,995                  | 0                | 0                   | 264,995                  | 0                      |
| Accretion on Capital Appreciation Bonds   | 52,645                   | 26,595           | 0                   | 79,240                   | 0                      |
| Unamortized Premium                       | 125,295                  | 0                | (12,742)            | 112,553                  | 0                      |
| Refunding Loss                            | (73,750)                 | 0                | 7,500               | (66,250)                 | 0                      |
| Capital Leases                            | 890,766                  | 0                | (267,747)           | 623,019                  | 79,012                 |
|   | <u>\$ 3,269,951</u>      | <u>\$ 26,595</u> | <u>\$ (462,989)</u> | <u>\$ 2,833,557</u>      | <u>\$ 289,012</u>      |
| Long-Term Liabilities                     | <u>\$ 3,269,951</u>      | <u>\$ 26,595</u> | <u>\$ (462,989)</u> | <u>\$ 2,833,557</u>      | <u>\$ 289,012</u>      |

Outstanding general obligation bonds are direct obligations of the District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the District.

***General Obligation Bonds***

On April 1, 1997, the District issued \$3,535,000 in general obligation bonds, which represented the local share for the District's construction of a new high school, new elementary school, and for the middle school renovations. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2018. The general obligation bonds will be paid from the proceeds of a 4.5 mill bond levy. In addition to these proceeds, the District received \$15,262,035 in monies from the Ohio School Facilities Commission. Initially, repayment of the Ohio School Facilities Commission funds was to be made over a twenty-three year period from a half-mill levy. During 1998, the District passed the necessary board resolution which enables the District to retain the half-mill levy for maintenance of the new buildings due to the District's assessed value being below the statewide median. As a result of the approval from the Ohio School Facilities Commission, the District has no obligation to repay the School Facilities Loan.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***2007 School Improvement Refunding General Obligation Bonds***

On May 8, 2007, the District issued \$1,629,995 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,200,000, \$165,000 and \$264,995, respectively. The bonds advance refunded \$1,630,000 of outstanding 1997 General Obligation Bonds. The bonds were issued for a twenty-two year period.

At the date of refunding, \$1,720,030 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$1,630,000 of the 1997 General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from the 2007 financial statements.

The bonds were issued with a premium of \$152,903, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2010 was \$12,742. The issuance costs of \$62,898 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with an interest rate of 4.0 percent. The term bonds that mature in fiscal year 2013 with an interest rate of 3.75 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2008 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

| <u>Fiscal Year</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|--------------------|--|
| 2011               | \$ 35,000                                  |
| 2012               | 35,000                                     |

Unless otherwise called for redemption, the remaining \$35,000 principal amount of bonds due December 1, 2012 is to be paid at stated maturity.

The capital appreciation bonds will mature December 1, 2017 and 2018. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as interest. The maturity amount of the bonds is \$650,000. The fiscal year 2010 accretion amount is \$26,595.

The following is a summary of the District's annual debt service principal and interest payments regarding the outstanding general obligation debt:

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

|           | General Obligation Bonds |                   | Capital Appreciation Bonds |                   | Total               |                   |
|-----------|--------------------------|-------------------|----------------------------|-------------------|---------------------|-------------------|
|           | Principal                | Interest          | Principal                  | Interest          | Principal           | Interest          |
| 2011      | 210,000                  | 78,236            | 0                          | 0                 | 210,000             | 78,236            |
| 2012      | 225,000                  | 65,973            | 0                          | 0                 | 225,000             | 65,973            |
| 2013      | 240,000                  | 52,709            | 0                          | 0                 | 240,000             | 52,709            |
| 2014      | 265,000                  | 40,500            | 0                          | 0                 | 265,000             | 40,500            |
| 2015      | 275,000                  | 29,700            | 0                          | 0                 | 275,000             | 29,700            |
| 2016-2019 | 605,000                  | 24,700            | 264,995                    | 385,005           | 869,995             | 409,705           |
|           | <u>\$ 1,820,000</u>      | <u>\$ 291,818</u> | <u>\$ 264,995</u>          | <u>\$ 385,005</u> | <u>\$ 2,084,995</u> | <u>\$ 676,823</u> |

**Note 12: Capitalized Leases**

In prior years, the District entered into lease agreements for the acquisition of several copiers. The copiers acquired by the leases have been capitalized in the governmental capital assets in the amount of \$70,826. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets and is reduced for each principal payment.

During fiscal year 2009, the District entered into a capital lease to finance capital improvement projects. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lessor. The total amount of the lease was \$600,000.

All leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for governmental funds. These expenditures are reflected as instruction-regular and support services-administration on the budgetary basis in the General Fund.

The assets acquired by the leases will be capitalized in government wide statements governmental activities as building improvements when the project is completed. In the current year financial statements, the amount expended so far is reflected as construction in progress.

Also during fiscal year 2009, the District entered into a capital lease arrangement through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority to acquire land and building for resale. This asset is reflected as Assets Held for Resale on the balance sheet in the amount of \$250,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010:

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

|   |           | <u>Copiers</u>   | <u>Capital<br/>Improvements</u> |
|---|-----------|------------------|---------------------------------|
| Year ending June 30,                    | 2011      | 17,244           | 71,768                          |
|   | 2012      | 9,524            | 71,888                          |
|   | 2013      | 0                | 71,936                          |
|   | 2014      | 0                | 70,930                          |
|   | 2015      | 0                | 71,851                          |
|   | 2016-2019 | 0                | 284,993                         |
|   | 2020      | 0                | 71,265                          |
|   |           | <u>26,768</u>    | <u>714,631</u>                  |
| Less amount representing interest       |           | <u>(3,749)</u>   | <u>(114,631)</u>                |
| Present value of minimum lease payments |           | <u>\$ 23,019</u> | <u>\$ 600,000</u>               |

**Note 13: Jointly Governed Organizations**

**A. Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)**

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting Ohio Mid-Eastern Regional Education Service Agency, Karen Blake, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$33,833 for educational management information and internet access services and \$88,884 for cooperative gas purchasing services provided during fiscal year 2010.

**B. Belmont-Harrison Vocational School**

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2010, the District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2010, the District paid \$300 to the Coalition.

***D. Ohio Coalition of Equity and Adequacy of School Funding***

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of .05 per pupil. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2010 the District paid \$726 to the Coalition.

**Note 14: Insurance Purchasing Pool**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

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

**Note 15: Set-Aside Calculations**

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

|   | Textbooks    | Capital<br>Improvements |
|---|--------------|-------------------------|
| Set-aside Reserved Balance as of June 30, 2009              | \$ (66,057)  | \$ 0                    |
| Current Year Set-Aside Requirement                          | 243,894      | 243,894                 |
| Current Year Offsets  | 0            | (44,054)                |
| Qualifying Disbursements                                    | (324,765)    | (216,793)               |
| Totals  | \$ (146,928) | \$ (16,953)             |
|   |              |                         |
| Set-aside Balance Carried Forward to Future<br>Fiscal Years | \$ (146,928) | \$ 0                    |
| Set-aside Reserve Balance as of June 30, 2010               | \$ (146,928) | \$ 0                    |

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years.

**Note 16: Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2010.

**B. Litigation**

The District is not party to any claims or lawsuits that would have a material effect, if any, on the financial condition of the District.



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

| <b>FEDERAL GRANTOR/<br/>Pass-Through Grantor<br/>Program Title</b> | Pass-through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts                  | Expenditures              |
|--|----------------------------------|---------------------------|---------------------------|---------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                       |                                  |                           |                           |                           |
| <i>Passed Through Ohio Department of Education.</i>                |                                  |                           |                           |                           |
| Child Nutrition Cluster:   |                                  |                           |                           |                           |
| Non-Cash Assistance: (Food Distribution)                           |                                  |                           |                           |                           |
| National School Lunch Program                                      | 2010                             | 10.555                    | \$7,145                   | \$7,145                   |
| Cash Assistance:   |                                  |                           |                           |                           |
| School Breakfast Program   | 2010                             | 10.553                    | 67,539                    | 67,539                    |
| National School Lunch Program                                      | 2010                             | 10.555                    | 201,627                   | 201,627                   |
| Cash Assistance Subtotal   |                                  |                           | <u>269,166</u>            | <u>269,166</u>            |
| Total Child Nutrition Cluster                                      |                                  |                           | <u>276,311</u>            | <u>276,311</u>            |
| Total U.S. Department of Agriculture                               |                                  |                           | 276,311                   | 276,311                   |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                         |                                  |                           |                           |                           |
| <i>Passed Through Ohio Department of Education.</i>                |                                  |                           |                           |                           |
| Title I, Part A Cluster:   |                                  |                           |                           |                           |
| Title I Grants to Local Educational Agencies                       | 2009/2010                        | 84.010                    | 302,802                   | 295,296                   |
| Title I Program for Neglected and Delinquent Children              | 2010                             |                           | 34,938                    | 53,755                    |
| Title I Program for for School Improvement                         | 2009/2010                        |                           | 16,160                    | 45,316                    |
| Total Title I Grants to Local Educational Agencies Subtotal        |                                  |                           | <u>353,900</u>            | <u>394,367</u>            |
| ARRA-Title I Program for Neglected and Delinquent Children         | 2010                             | 84.389                    | 6,638                     | 6,638                     |
| ARRA-Title I Grants to Local Educational Agencies                  | 2010                             |                           | 97,373                    | 76,942                    |
| ARRA-Title I Grants to Local Educational Agencies - Subtotal       |                                  |                           | <u>104,011</u>            | <u>83,580</u>             |
| Total Title I, Part A Cluster                                      |                                  |                           | 457,911                   | 477,947                   |
| Special Education Cluster (IDEA, Part B):                          |                                  |                           |                           |                           |
| Special Education, Grants to States (IDEA, Part B)                 | 2009/2010                        | 84.027                    | 306,913                   | 291,325                   |
| Special Education--Preschool Grants (IDEA Preschool)               | 2008/2009/2010                   | 84.173                    | 8,835                     | 10,378                    |
| ARRA-Special Education, Grants to States (IDEA, Part B)            | 2010                             | 84.391                    | 209,198                   | 215,908                   |
| ARRA-Special Education, Preschool Grants (IDEA Preschool)          | 2010                             | 84.392                    | 0                         | 60                        |
| Total Special Education Program Cluster (IDEA, Part B)             |                                  |                           | <u>524,946</u>            | <u>517,671</u>            |
| Safe and Drug-Free Schools and Communities, State Grants           | 2009/2010                        | 84.186                    | 1,930                     | 1,579                     |
| Education Technology State Grants                                  | 2008/2009/2010                   | 84.318                    | 2,273                     | 3,547                     |
| Improving Teacher Quality State Grants                             | 2009/2010                        | 84.367                    | 98,036                    | 100,171                   |
| ARRA-State Fiscal Stabilization Fund - Education State Grants      | 2010                             | 84.394                    | 523,178                   | 523,178                   |
| Total U.S. Department of Education                                 |                                  |                           | <u>1,608,274</u>          | <u>1,624,093</u>          |
| <b>Total Federal Awards Receipts and Expenditures</b>              |                                  |                           | <b><u>\$1,884,585</u></b> | <b><u>\$1,900,404</u></b> |

*The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.*

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Union Local District's (the District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at entitlement value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2009 to 2010 programs:

| <u>Program Title</u>              | <u>CFDA Number</u> | <u>Amount Transferred<br/>from 2009 to 2010</u> |
|-----------------------------------|--------------------|---|
| Education Technology State Grants | 84.318             | \$200   |



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 18, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-001 through 2010-003.

We also noted a certain matter not requiring inclusion in that report that we reported to the District's management in a separate letter dated August 18, 2011.

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

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



**Dave Yost**  
Auditor of State

August 18, 2011



# Dave Yost • Auditor of State

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

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759

To the Board of Education:

### Compliance

We have audited the compliance of Union Local School District, Belmont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated August 18, 2011.

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



**Dave Yost**  
Auditor of State

August 18, 2011

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under §.510(a)?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Special Education Cluster<br>CFDA #'s 84.027, 84.173, 84.391 and 84.392<br><br>Title I Cluster CFDA#'s 84.010 and 84.389<br><br>State Fiscal Stabilization Fund – Education State Grants CFDA #84.394 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$300,000<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes   |

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. GAAP-basis entities must file annual reports within 150 days of their fiscal year end. The District did not file their report for FY10 until February 25, 2011, 84 days after the deadline. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis and filed in a timely manner.

**Officials' Response:** GAAP statements are not prepared as a cost savings to the School District.

**FINDING NUMBER 2010-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) requires, in part, that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At June 30, 2010, the following funds had negative cash fund balances in the following amounts:

|                      |             |
|----------------------|-------------|
| General              | (\$188,596) |
| Food Service         | (\$99,133)  |
| School Improvement   | (\$16,700)  |
| Title I-Delinquent   | (\$18,817)  |
| Title VI-B ARRA      | (\$6,710)   |
| Class Size Reduction | (\$1,541)   |

We recommend the District take prudent action to refrain from deficit spending. Compliance with other sections of budgetary law may also help prevent deficit spending.



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|---|

**FINDING NUMBER 2010-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

1. Then and Now Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**FINDING NUMBER 2010-003 (Continued)**

**Noncompliance Citation (Continued)**

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Although the obligations paid by the School District had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 27% of transactions tested and there was no evidence of a "Then and Now" certificate being utilized by the District. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the District's Treasurer certify that the funds are or will be available prior to an obligation being incurred by the District. When prior certification is not possible, "then and now" certificates should be used.

We recommend the District certify purchases to which Section 5705.41(D) applies. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

The District chose not to respond to Findings 2010-002 and 003.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



# Dave Yost • Auditor of State

UNION LOCAL SCHOOL DISTRICT

BELMONT 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  
SEPTEMBER 6, 2011